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ABSTRACT

The economic problems of localities in the U.S. fall into two broad categories. Problems of low income occur if a local economy supplies too few jobs, and if the jobs that do exist pay low wages or are in the low productivity sectors of the economy. Problems stemming from low economic growth are marked either by an absolute decline or by low growth in real income and earnings, population and employment. In this document regions with local economic difficulties are identified. Per capita income and economic and population growth rates are described. Differences are examined between local economies of different geographical regions, and between metropolitan and nonmetropolitan areas. The actions of the federal government aimed toward promoting economic growth are focused upon. It is demonstrated that a disproportionate amount of federal funding is concentrated in areas which have relatively high rates of growth and per capita income. Statistical data serve as the basis for the discussion and the conclusions. (Author/GC)

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BACKGROUND PAPER

Troubled Local Economies and the Distribution of Federal Dollars

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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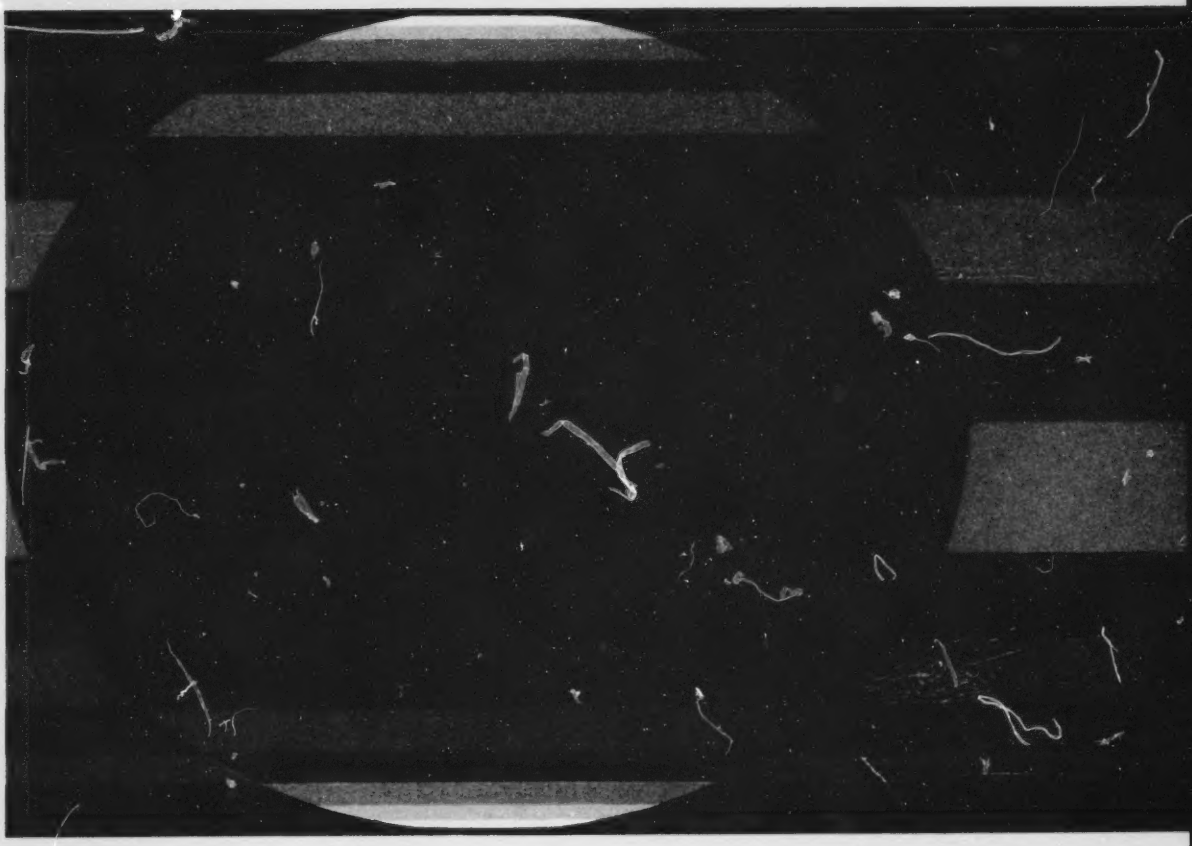

Congress of the United States
Congressional Budget Office
Washington, D.C.

UDO 17914

TROUBLED LOCAL ECONOMIES AND THE DISTRIBUTION OF FEDERAL DOLLARS

The Congress of the United States
Congressional Budget Office

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Note: "Declining" and "low growth" are used interchangeably to characterize the experience of counties in which economic growth is slow relative to the national average. These counties need not be declining in absolute terms.

PREFACE

Congressional debates during the last two years indicate a mounting concern over the nature and amount of federal expenditures in local areas experiencing economic distress. In August of 1976, Representatives Elizabeth Holtzman and Louis Stokes of the House Committee on the Budget asked the Congressional Budget Office (CBO) to analyze the patterns of federal spending, with particular attention to geographic distribution and to the relative wellbeing of recipient local economies. In keeping with CBO's mandate to provide objective and nonpartisan analysis of issues before the Congress, this response to their request offers no recommendations.

Troubled Local Economies and the Distribution of Federal Dollars was written by Peggy L. Cuciti of CBO's Human Resources and Community Development Division, under the supervision of Robert D. Reischauer and David S. Mundel. The author wishes to acknowledge the contributions of a number of persons, both at CBO and elsewhere. Adele Jackson of the CBO staff helped formulate the study; she also reviewed the effectiveness of development-oriented programs. Lynn Hazen of the Bureau of Economic Analysis, Fred Hines and Clevie Gladney of the Department of Agriculture, Jerry Glynn of the Bureau of the Census, and Luther Burgess of the Community Services Administration helped CBO to acquire, merge, and interpret the variety of data used in the analysis. Geoffrey Blood, formerly with the House Information Systems, provided invaluable programming assistance. The guidance and help of a number of other people must also be mentioned, in particular John Ellwood, Richard Wabnick, Larry Ledebur, Louise Jacowitz, Thomas Cantrell, Dick Meynard, Edward Starr, David Allen, Tony Friedman, and David Garrison.

Robert L. Bostick of the Congressional Research Service and Frederick Broome of the Census Bureau prepared the graphic materials. Johanna Zacharies edited the manuscript and supervised its preparation for publication. Special appreciation goes to Jill Bury for her skill and patience in typing the several drafts.

Alice M. Rivlin
Director

August 1977

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SUMMARY

In recent years, public attention has focused increasingly on the differences among geographic areas in rates of economic growth and in income levels. The extent to which federal spending has been concentrated in rich or rapidly growing areas as opposed to areas with low-growth or poor economies has also aroused concern, forming the basis of the sunbelt/frostbelt controversy. Some observers have argued that more federal resources should be purposely channeled into areas with economic difficulties.

The economic problems of localities fall into two general categories: those stemming from low economic growth, and those related to low income. Low rates of economic growth are signaled either by an absolute decline or relatively low growth in real income and earnings, population, and employment.

Low income occurs if a local economy supplies too few jobs relative to population and if the jobs that do exist pay low wages or are in sectors of the economy with low productivity. Any of these conditions, or a combination of several, can cause both money income and the standard of living to be relatively low.

WHAT AREAS HAVE ECONOMIC PROBLEMS?

Economic problems under either definition vary both by region and by county. Two general patterns emerge from the data, however:

- Low growth is a problem for the North--the region including the New England, Middle Atlantic, and Great Lakes states.

- Low income is concentrated in the South and Southwest, despite the relatively high growth rates of past years.

Since regions are large and are made up of diverse areas, regional comparisons alone can mask serious economic problems of local areas. In order to avoid this problem and to more fully specify the economic conditions within regions, economic circumstances and federal spending are examined at the county level.

- Between 1969 and 1974, low rates of growth in per capita income, earnings, and population were experienced in 11 percent of all counties. In 1975, the population of these

counties was 63.3 million--30 percent of the U.S. total. Roughly the same number of counties experienced high rates of growth but these contained only 15.9 million people, or 7 percent of the population.

- Counties that in 1974 had per capita incomes below $3,571--34 percent or more below the national average--had a combined population of 10.2 million. The population of high-income counties--those with per capita income over $5,308--was 121.8 million.

The map on the following page shows the location of counties with low rates of growth or low levels of income.

Counties were unlikely to experience both types of economic problems--low income and low growth--simultaneously. Only 1 percent of all counties were both poor and declining. Most of these were in the Southwest and South. Two percent of all counties, most in the West, had high incomes and high growth rates.

Economic problems associated with low income or low growth existed in all regions. The distribution among regions, however, was not uniform:

- Eighty-one percent of all low-income counties were in the South and Southwest.
- Low-growth counties were more evenly distributed among the regions. Almost three-quarters of the residents of these counties lived in the North, however.

PERCENT DISTRIBUTION OF LOW-INCOME AND LOW-GROWTH COUNTIES, BY REGION

	All Counties	Residents of all Counties	Low-Income Counties	Residents of Low-Income Counties	Low-Growth Counties	Residents of Low-Growth Counties
U.S. Total	100	100	100	100	100	100
North	21	42	5	5	37	74
Plains	20	8	9	7	25	4
South	34	25	63	63	10	4
Southwest	12	9	18	22	18	2
West	13	16	5	4	10	17

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COUNTIES WITH LOW GROWTH RATES OR LOW INCOME LEVELS

Source: CBO calculations from data compiled by U.S. Bureau of Economic Analysis.

Map prepared by U.S. Bureau of the Census

The nature and extent of counties' economic difficulties varied by region.

- In the North, the incidence of low-growth was high. Almost one-fifth of all counties were declining while only 1 percent were growing. More than one-half the region's population lived in low-growth counties.

- Experience in the West was diverse. Almost one-third of the region's population lived in the 9 percent of the counties that were declining. At the same time, many of the region's counties, roughly one-fifth, were experiencing rapid growth.

- Low income was the major problem in the South, with more than one-third of all southern counties falling near the bottom of the national income distribution. Nevertheless, almost one-third of the region's population lived in counties with relatively high incomes.

FEDERAL SPENDING PATTERNS

The actions of the federal government are among the factors responsible for patterns of economic development. Not only is the federal government a major purchaser of goods and services, it also pursues policies in regulation, tax, trade, and spending that influence both activities and location choices in the private sector.

All federal spending programs are presumed beneficial insofar as they directly or indirectly support jobs and supplement incomes of area residents. In addition, some programs are specifically designed to enhance development by investing in human and physical resources. 1/

In all regions, low-growth counties received more federal spending per capita from all programs combined in 1975 than did growing counties. When the alternative measure of need is used--low income--federal spending appeared to be less well targeted. On average, more federal funds per capita were spent in high-income counties than in low-income ones.

1/ Development programs are defined as those that might be expected directly to change the terms on which individuals, businesses or areas compete in the economic market. These programs increase human or physical resources or alter the relative risks involved in specific types of economic activities. These programs account for 16 percent of all federal spending traced by the Community Services Administration, which provided the data on federal expenditures used in this paper.

Federal spending patterns for the set of programs that focus on local economic development were slightly different. Nationally, federal spending in development programs was unrelated to the rate of economic growth of the recipient county. On a regional basis, however, a pattern did emerge. Low-growth counties received more development dollars than did growing ones in all regions except the West. In the West, the pattern was so strongly the reverse that it swamped the experience of the other regions.

On a per capita basis, federal expenditures for development were greater in the high-income counties of the North, South, and Plains States than in low-income counties. In the West, poorer counties received somewhat larger amounts from development programs than did those with high income. In the Southwest, there appeared to be no consistent spending pattern with respect to income.

In metropolitan areas, low-growth counties received more development dollars than did growing counties. In nonmetropolitan areas, however, there was greater federal support for development purposes in counties experiencing strong growth than in declining counties. Low-income counties in both metropolitan and nonmetropolitan areas received fewer federal development funds than did high-income counties.

AVERAGE PER CAPITA FEDERAL EXPENDITURES FOR COUNTIES IN DIFFERENT ECONOMIC CIRCUMSTANCES, BY REGION: IN DOLLARS

	All Counties	Low-Growth Counties	High-Growth Counties	Low-Income Counties	High-Income Counties
Spending in all Federal Programs a/	1,494	1,665	1,259	1,059	1,665
North	1,420	1,666	884	1,311	1,557
Plains States	1,338	1,606	1,309	1,085	1,476
South	1,606	2,165	1,307	997	2,244
Southwest	1,435	1,587	1,017	1,173	1,336
West	1,623	1,578	1,350	1,085	1,705
Spending in Development Programs	240	230	237	216	256
North	204	228	150	175	227
Plains States	270	318	277	232	291
South	268	355	205	182	367
Southwest	243	232	217	295	198
West	275	196	365	370	261

CHAPTER I. INTRODUCTION

The uneven geographic patterns of growth and development in the United States continue to be sources of concern. In the past, this concern focused on the small towns and rural areas that had been bypassed by modern economic development. In these areas, located primarily in the South, the Midwest, and the West, economic growth was slow and personal incomes remained low. The mechanization of agriculture and the concentration of manufacturing in urban areas left residents of small and rural communities with limited job opportunities. The federal government responded to this situation with a variety of programs designed to stimulate economic development.

In recent years, attention has shifted to the heavily developed urban areas of the North--the so-called frostbelt--which have experienced sluggish growth. Many observers have suggested that federal policies, as well as natural market forces, have encouraged a shift of economic activity away from the North and toward the South and Southwest, that is, the sunbelt. 1/ Federal spending, it has been argued--and the resulting economic growth--has been concentrated in the sunbelt to the detriment of the older regions of the country, many of which are experiencing severe economic problems. Proposals have been advanced for boosting the growth of the older, industrial areas of the nation through new policy initiatives and the redirection of current federal programs.

This paper examines the extent to which federal spending is in fact concentrated in areas with economic hardships.

The remainder of this chapter discusses alternative indicators of economic difficulty. The location of areas that have economic problems is described in Chapter II. In Chapter III, the geographic distribution of federal spending is compared with the pattern of economic difficulties.

1/ See "The Second War Between The States," Business Week, May 17, 1976, pp. 92-114; and Joel Havemann, Rochelle Stanfield and Neal R. Pierce, "Federal Spending: The North's Loss Is The Sunbelt's Gain," National Journal, June 26, 1976, pp. 878-91.

INDICATORS OF AREA ECONOMIC PROBLEMS

There are essentially two concepts of what constitutes an area with an economic problem: lack of economic growth and low levels of economic performance as measured by such factors as income.

Low Growth as an Economic Problem

Underlying the ongoing frostbelt/sunbelt controversy is the premise that low growth rates constitute the most serious economic problem. The North, many people contend, needs help because, relative to the South and Southwest, it is losing jobs, capital, and residents.

Growth in an area depends on a wide variety of factors. At any one moment, a community has certain resources or attributes that result from natural endowments and past public and private investment decisions. Individuals and businesses consider these attributes in choosing where to settle. The patterns of such choices are likely to shift over time as a result of changing technologies, changes in prices of goods and services, and changes in consumer preferences and government policies.

Economic decline, or low growth, represents a complex problem. At present, businesses in low-growth areas tend not to be expanding; some are moving to new locations or failing altogether, and few are starting up. Economic opportunities are limited, and population outmigration is commonplace. In this study, the areas experiencing these problems are identified for the period 1969 to 1974 with such measures as changes in earnings, per capita income of residents, and population.

Growth in earnings. Growth in total earnings offers a good measure of an area's attractiveness as a place to do business. (Earnings are defined here as including employees' wages, salaries and other employer-paid benefits, as well as the net incomes of owners of unincorporated businesses.) If businesses are expanding or starting up, or if increased investments result in higher productivity, then earnings in an area should go up. If, on the other hand, business activity is declining, earnings will either decline or grow more slowly.

Growth in per capita income of residents. Per capita income is primarily an indicator of the standard of living residents can attain rather than of the performance of local businesses. (Income is defined here as a combination of earnings, dividends, interest, and transfer payments.) Growth in per capita income depends on business conditions and population patterns. If an area's population is expanding, its local economy can be growing without producing commensurate change in

its residents' per capita income. Likewise, a slow growth in earnings may be sufficient to produce large increases in per capita income if population is declining.

Commuting patterns can also account for a disjunction between changes in earnings and changes in resident per capita income. For example, the earnings of a central city may rise, but this increase may go largely to persons living in suburbs but working in the city.

Population change. Population change is generally considered a good indicator of a community's attractiveness and thus of its future economic health. Population changes may reflect past shifts in economic activity as well as augur future changes. Individuals make residential choices for a number of reasons. To the extent that people move in search of better job opportunities, population change is a second-order indicator of past economic performance. But people may move to find a way of life they prefer. A community that offers features that many people seek is likely to undergo economic growth as well as population growth as its new residents form a market for goods and services and furnish a labor supply.

Low Income as an Economic Problem

In some areas, the economic problem is not one of growth or decline, but rather one of level. If incomes are low, the standard of living--to the extent it can be measured in money terms--is lower than it is elsewhere.

An area might be considered poor if a significant proportion of its residents live in poverty or if incomes are uniformly low. With timely data lacking on the distribution of income within local areas, per capita income has been relied on as an indicator of relative poverty. 2/

2/ Use of this measure introduces some bias in the results. The income of nonprofit institutions is counted as personal income; such institutions tend to be concentrated in cities, which drives up their income measure. Per capita income can also give a false signal of relative economic success because there are geographic variations in the cost of living. Thus the same per capita income might purchase different standards of living in different areas. Ideally incomes would be adjusted to reflect these differences in purchasing power thereby better measuring living standards. Unfortunately at present, no data series are available to measure differences in the cost of living for all areas in the United States adequately.

CHAPTER II. WHAT AREAS ARE HAVING ECONOMIC PROBLEMS?

The location of economic problems depends on the definition of "area," as well as on whether one is concerned with low economic growth rates or low levels of economic activity. Recent debates have focused on regions and their relative rates of economic growth. (The component states of these regions are shown in Figure 1 and listed in Table 1.)

HOW DO THE REGIONS FARE?

If the problem is defined in terms of growth, then it was centered in the frostbelt--the industrial North (see Figure 1). In rate of economic growth, the North lagged behind other regions between 1969 and 1974: it had the smallest percentage change in population, earnings, and per capita income. In contrast, the two regions that make up the sunbelt--the South and Southwest--experienced the most rapid economic growth.

If, however, the measure used is level of per capita income, then the North did not appear to have the worst economic problems. Per capita income was lowest in the sunbelt. In 1974, per capita incomes in the South and Southwest were 11 percent below the national average.

HOW DO THE STATES FARE?

Patterns of growth and income that rely on aggregate statistics for regions can mask considerable internal diversity of experience. A region that is growing overall may include areas with growth rates as low as any encountered in slow-growth regions. Only if the experience of all areas within a region is similar can aggregate statistics for a whole region serve as a useful guide for redirecting federal policy to assist those areas with the greatest need for economic assistance. As shown in Table 1, the experiences of states that make up each region showed considerable variety.

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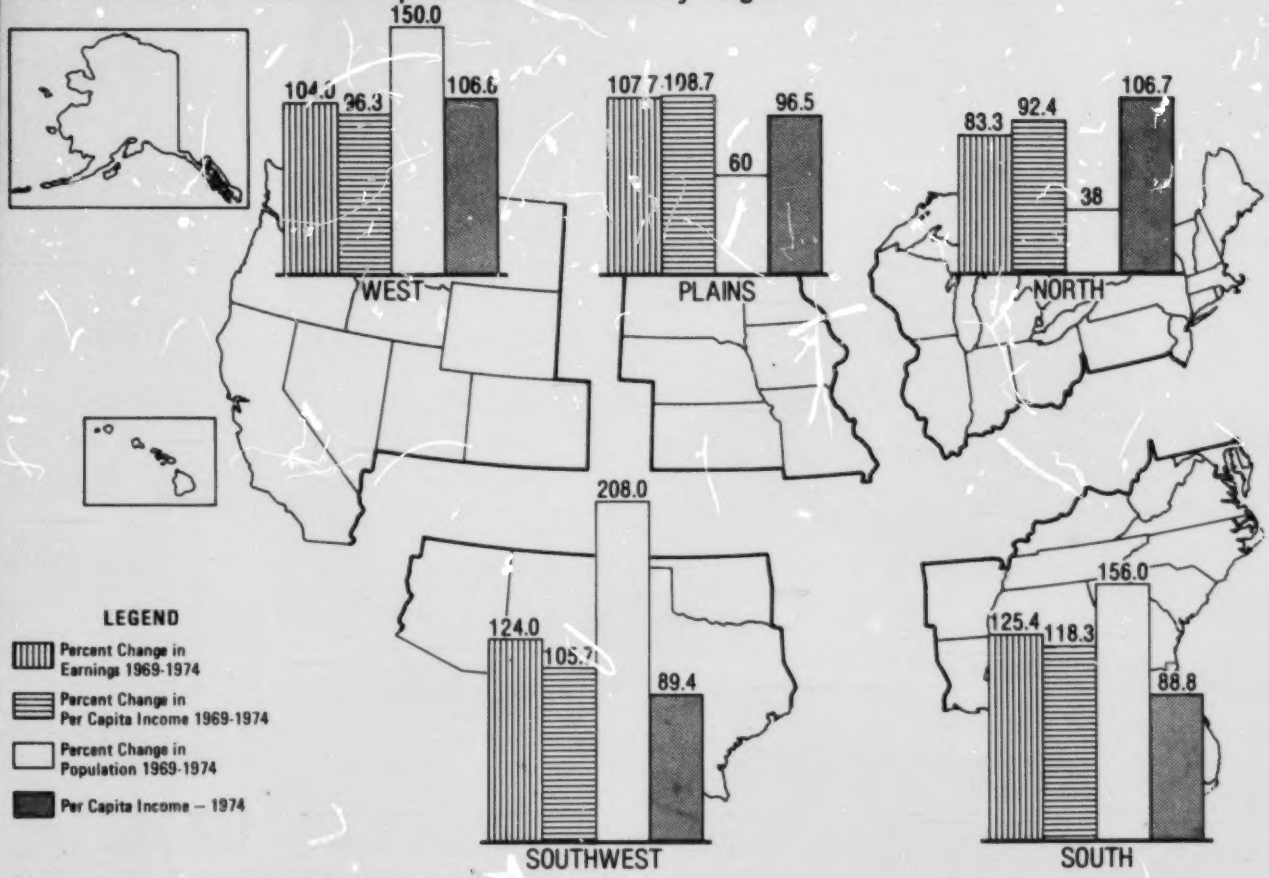
Figure 1.

Economic Growth and Per Capita Income Levels by Region[a/]



a/ Data indexed so that U.S. average equals 100. See Table 1 for additional information.

The North

Of the northern states, only Maine had growth rates above the national average on all three measures of economic change. Other states fared less well. In New York, for example, earnings increased by less than 32 percent, per capita income by less than 38 percent, and population by less than 0.1 percent. Connecticut, New Jersey, New York, and Illinois all had per capita incomes higher than $6,000 in 1974. But half of the region's states had incomes below the national average.

The Plains States

This region reflected a wide range of experience. The more northern states--particularly North Dakota--experienced rapid growth, while Missouri grew at rates below the national average. Throughout the region, per capita income levels ranged from $4,682 in South Dakota to $5,582 in North Dakota.

The Southwest

All the southwestern states saw their earnings and population grow faster than the national average. Arizona, however, stands out with an 81 percent increase in earnings and a 23.9 percent increase in population between 1969 and 1974. Incomes were generally below the national average, with Arizona once again leading the region with a per capita income of $5,136.

The South

Here growth rates were generally high, with the notable exception of the District of Columbia. Florida underwent a particularly large economic expansion; its population increased by over one-fifth. Earnings in Florida grew sufficiently (that is, by 80.7 percent) to allow a growth in per capita income that was also above average for the region. Arkansas also experienced rapid growth on all three indicators of economic change. In 1974, per capita incomes were below the national average in all states but Maryland, Delaware, and the District of Columbia. Incomes were particularly low in Mississippi ($3,804), Arkansas ($4,200), and Alabama ($4,214).

TABLE 1. ECONOMIC GROWTH AND PER CAPITA INCOME LEVELS BY REGION AND STATE

	Percent Change 1969-1974			Per Capita Income 1974
	Earnings	Per Capita Income	Population	
UNITED STATES	47.9	46.0	5.0	5,449
NORTH	39.9	42.5	1.9	5,817
Maine	48.6	49.9	5.5	4,592
New Hampshire	51.6	41.4	11.6	4,953
Vermont	39.0	39.1	7.6	4,535
Massachusetts	38.4	41.9	2.6	5,757
Rhode Island	31.6	42.8	0.5	5,341
Connecticut	39.0	37.7	2.9	6,452
New Jersey	45.4	42.4	3.3	6,252
New York	31.8	38.0	0.03	6,156
Pennsylvania	41.2	46.5	0.8	5,447
Illinois	43.5	46.3	0.8	6,273
Indiana	41.5	40.8	3.6	5,190
Michigan	43.4	43.2	3.6	5,880
Ohio	40.1	43.4	1.6	5,516
Wisconsin	48.4	48.1	4.3	5,245
PLAINS STATES	51.6	50.0	3.0	5,260
Iowa	49.3	50.2	1.8	5,279
Kansas	56.6	54.0	1.5	5,499
Minnesota	55.2	51.3	4.2	5,421
Missouri	41.4	42.6	3.0	5,035
Nebraska	51.9	47.7	4.6	5,280
North Dakota	101.0	87.3	2.6	5,582
South Dakota	62.6	58.0	2.2	4,682
SOUTHWEST	59.4	48.6	10.4	4,871
Oklahoma	54.4	46.7	6.9	4,586
Texas	57.5	48.3	9.1	4,956
New Mexico	53.5	45.5	11.0	4,139
Arizona	81.0	53.5	23.9	5,136

(Continued)

TABLE 1. (Continued)

	Percent Change 1969-1974			Per Capita Income 1974
	Earnings	Per Capita Income	Population	
UNITED STATES	47.9	46.0	5.0	5,449
SOUTH	60.1	54.4	7.8	4,840
Delaware	53.1	44.6	6.1	6,309
District of Columbia	43.6	52.0	-5.2	7,092
Florida	80.7	57.1	21.8	5,412
Georgia	56.0	50.8	7.3	4,752
Maryland	52.7	48.3	5.8	5,946
North Carolina	59.1	52.8	6.6	4,616
South Carolina	62.3	55.8	8.3	4,311
Virginia	60.4	56.0	6.4	5,333
West Virginia	52.2	57.8	2.6	4,373
Alabama	54.7	54.8	4.0	4,214
Kentucky	56.8	53.4	5.0	4,442
Mississippi	58.9	58.4	4.7	3,804
Tennessee	59.6	55.5	6.0	4,551
Arkansas	69.0	60.0	7.8	4,200
Louisiana	55.2	51.7	4.0	4,392
WEST	49.8	44.3	7.6	5,810
Colorado	78.1	56.1	15.2	5,514
Idaho	79.1	60.6	13.0	4,919
Montana	64.5	56.1	5.9	4,958
Nevada	60.4	41.3	19.4	6,033
Utah	64.3	50.2	12.1	4,468
Wyoming	71.5	58.0	9.2	5,403
Alaska	88.3	62.3	13.9	6,890
California	44.4	41.6	6.1	6,032
Hawaii	57.7	45.3	12.9	6,038
Oregon	60.2	49.8	9.9	5,284
Washington	41.1	43.5	4.0	5,713

SOURCE: CBO calculations based on Bureau of Economic Analysis, Local Area Personal Income 1969-1974, Vol. 1, Summary, June 1976.

The West

While California and Washington experienced relatively low rates of growth between 1969 and 1974, other states--notably Alaska, Colorado, Idaho, and Wyoming--underwent significant economic expansion. Income levels also varied in the region from a low of $4,468 in Utah to a high of $6,890 in Alaska.

NEED FOR ANALYSIS AT THE LOCAL LEVEL

There is no single correct geographic unit of analysis for locating economic problems or tracing federal expenditures. For some purposes, states are clearly the best unit. Often, however, states are large enough to encompass areas with very different economic circumstances. Furthermore, the effects of many federal programs are quite localized. Thus it is desirable to do analysis at a substate level.

The county is the smallest geographic unit for which reliable and current economic data are available. Analysis at the county level allows fairly precise specification of the location of areas with greatest economic need. It offers a further advantage: by combining counties in various ways, the experience of larger aggregations--such as metropolitan areas--can also be characterized.

DIVERSITY OF COUNTY EXPERIENCE

Counties in the United States are extremely diverse. They differ in area, population, settlement patterns, density, and responsibility as political jurisdictions. Their economic bases also vary. County differences on the several performance indicators discussed in Chapter I are presented in Table 2.

The range of county experience on all of the indicators appeared to be quite broad. For example, in 1974 the highest per capita income in any county was $13,517--more than six times greater than that found in the county with the lowest income. By definition, however, minimum and maximum scores represent extreme cases and tell little about underlying distributions. Scores that define quintile breaks (that is, scores that divide the counties into five groups of equal size) can be useful in this respect. The two scores shown in the table define the limits of the range within which the middle 60 percent of counties fall. In 1974, this range for per capita income levels was $3,471 to $5,308, a range that is less than one-sixth that defined by the minimum and maximum scores.

TABLE 2. THE ECONOMIC EXPERIENCE OF COUNTIES

	MEASURES OF ECONOMIC PERFORMANCE			
	Percent Change 1969-1974			Per Capita Income 1974 (in dollars)
	Population	Total Earnings	Per Capita Income	
U.S. Average	5.0	48	49	5,449
County Average	6	62	56	4,510
Range:				
Minimum and maximum scores	-39 to 114	-60 to 894	-35 to 296	2,045 to 13,517
Scores delimiting top and bottom quintiles	-1 to 12	39 to 79	41 to 68	3,571 to 5,308
Millions of People Residing in:				
Counties in top quintile (successful economies)	43.0	22.2	10.4	121.8
Counties in bottom quintile (troubled economies)	45.8	63.0	53.3	10.2

SOURCE: CBO Calculations from data supplied by the Bureau of Economic Analysis.

On the three indicators of economic growth, the average score for counties was higher than the average for the entire United States; on the measure of per capita income, however, the county average was lower than the nation's. The county average differs from the U.S. average because the experience of every county is given equal weight regardless of population size. This is an appropriate technique when the subject of study is the experience of places. The U.S. average is sensitive to differences in population sizes of counties and is a better reflection of circumstances affecting most people. When the county

average appears higher than the national average, as it did on the several growth measures, this suggests that smaller counties, which are more numerous, were growing faster than were more populous counties.

Economic difficulties can be defined in relative terms and consequently counties in the bottom quintile on each measure were classified as having economic problems. Using these relative and somewhat arbitrary standards, a county is defined as having a growth problem if its earnings increased by less than 39 percent, or if its per capita income increased by less than 41 percent, or if its population declined by more than 1 percent between 1969 and 1974. 1/ Using income level as the measure of economic difficulty, any county with an average per capita income lower than $3,571 was defined as having a problem.

While the same number of counties were identified as having difficulties on each measure of economic performance, the numbers of people affected appeared to vary depending on the measure selected. Low-growth counties accounted for a relatively large proportion of the U.S. population. Low-income counties had many fewer residents (see Table 2, "Millions of People Residing in Counties in Bottom Quintile").

THE LOCATION OF LOW-GROWTH COUNTIES

Counties with low-growth rates of earnings, per capita income, or populations were found in all regions of the country, but the counties in certain regions were likelier to be having economic difficulties than were counties elsewhere. As shown in Figure 2, the region-by-region distribution of counties with growth problems appeared to differ according to what measure was used.

- On the income and earnings measures, a disproportionate number of low-growth counties were located in the North and in the Southwest. These two regions accounted for more of the low-growth counties than they did of all counties nationally. The North included 27 percent of counties with low growth in total earnings and 32 percent of counties with low per capita income change, in contrast to 21 percent of all counties nationally. Twenty-two percent of low-growth counties on either measure were in the Southwest. Both of these regions were not well represented in the group of counties with strong growth in earnings or per capita income.

1/ During this period, the cost of living increased by 35 percent. Thus, in most counties identified as being in economic difficulty, earnings or per capita income in real terms were declining.

Figure 2.

Regional Distribution of Counties with High or Low Growth in Earnings, Per Capita Income, or Population 1969-1974[a/]

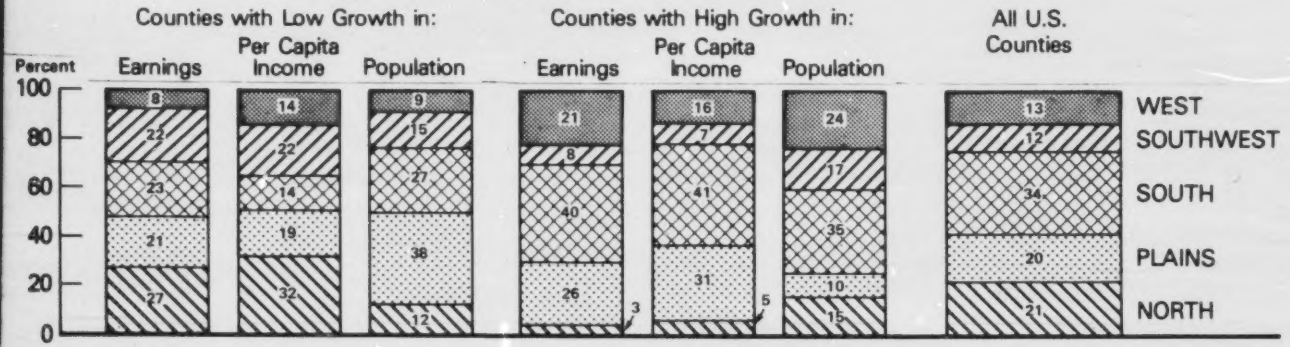
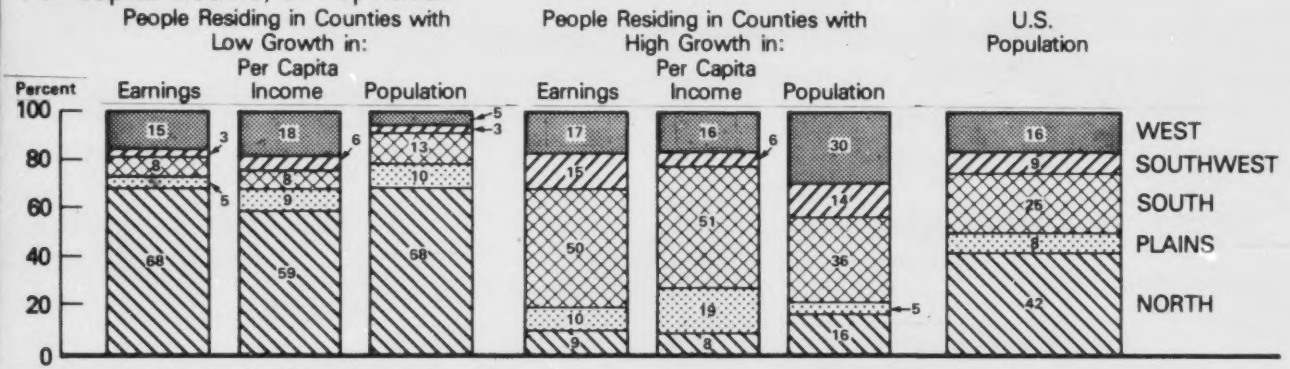


Figure 3.

Regional Distribution of People Residing in Counties with High or Low Growth in Earnings, Per Capita Income, or Population



Note: Components may not add to 100 percent because of rounding.

a/For each measure, the 20 percent of all counties with the highest rates of growth and the 20 percent with the lowest rates of growth are included. See Table 2.

- Counties with declining populations were centered in the Plain states. That region accounted for 38 percent of all countie in the bottom quintile on the population change measure bu only 20 percent of all counties nationally. The North account- ed for a relatively small share of the counties with lo population growth. The South accounted for approximately th same proportion of the rapidly growing counties as it did o all counties (35 percent). The two regions with a disproportionately large share of strong-population-growth counties wer the West and Southwest.

Low-growth counties were distributed more evenly among the region than were residents within those counties (see Figure 3). The popula tion affected by economic growth problems was concentrated in the North Depending on what measure of growth was used, the North accounted fo between 59 and 68 percent of all residents of low-growth counties Depending on the measure, between 3 and 6 percent of the population o low-growth counties lived in the Southwest. The region's share of th total U.S. population was 9 percent. Thus, despite the Southwest'. disproportionately large share of low-growth counties, it was under- represented in the distribution of population affected.

A COMPOSITE MEASURE OF ECONOMIC PERFORMANCE

Each indicator identifies a different set of counties as growin or declining. While the earnings and per capita income measures produc roughly similar county rankings, the ranking on the population chang measure is quite different. 2/ Consequently, to simplify the analysi of federal spending patterns, a composite measure of economic growt that identifies counties whose relative position is similar on severa measures at once is useful. One such measure defines a county as declining if it falls into the bottom two quintiles nationally on al three measures of economic change. Conversely, those counties that fal in the top two quintiles nationally on all three measures experienced relatively large percentage change in total earnings, per capita income and population; thus these counties could be designated as growing. 3

2/ The correlation between the rate of change in per capita income an earnings is 0.70; the correlations between each of these measure and population change are -0.29 and 0.28 respectively.

3/ For a county to be classified as declining on the composite growt measure between 1969 and 1974, per capita income had to have in creased by less than 49 percent, total earnings by less than 5 percent, and population by less than 2.8 percent. A growing count was one in which per capita income increased by at least 56 percen earnings by 62 percent, and population by 6.5 percent over the sam period.

There were 330 counties in the declining category of the composite index. Together, these counties contained 63.3 million residents in 1975--fully 30 percent of the U.S. population. The strong-growth category included 3[illegible] counties, with an aggregate population of 15.9 million, or 7.5 percent of the U.S. total.

Growing counties looked distinctly different from declining counties on a number of characteristics. They differed, of course, on the three variables used to create the composite measure. The average growth in per capita income was 72 percent in growing counties and 39 percent in declining counties. Growing counties had an average increase in population of 13.8 percent over the five-year period, while declining counties, on average, lost 1.3 percent of their populations. The contrast was even more striking with respect to growth in earnings: on average, total earnings increased by 102 percent in growing counties but only 27 percent in declining counties (see Table 3).

Growing counties were typically poorer by the measure of per capita income than were declining counties, but this income differential has narrowed over time. In 1969, the average per capita income in growing counties was $2,596, a figure substantially lower than the $3,366 average in low-growth counties. As a result of the differential in growth rates, however, the disparity in incomes was largely reduced by 1974, when income in growing counties equalled $4,462 compared to $4,669 in declining counties.

Low-growth as well as high-growth counties were found in all regions. Figure 4 pinpoints all such counties based on the composite measure discussed earlier.

The distribution of growing and declining counties (as defined by the composite measure) among regions was more uneven than the distribution obtained by using any of the measures individually. As shown in Figure 5, the South and the West were substantially overrepresented in the strong-growth category and underrepresented in the declining group. Only 20 percent of the low-growth counties were found to be in these regions, in contrast to 80 percent of the growing counties. The North, which includes 21 percent of all U.S. counties, accounted for 37 percent of the declining counties and less than 3 percent of the growing ones. Seventy-four percent of the people living in all declining counties--47.1 million people--lived in the North. Of the 15.5 million residents of growing counties, 61 percent lived in the South (see Figure 6).

TABLE 3. COMPARISON OF COUNTIES WITH HIGH AND LOW RATES OF ECONOMIC GROWTH a/

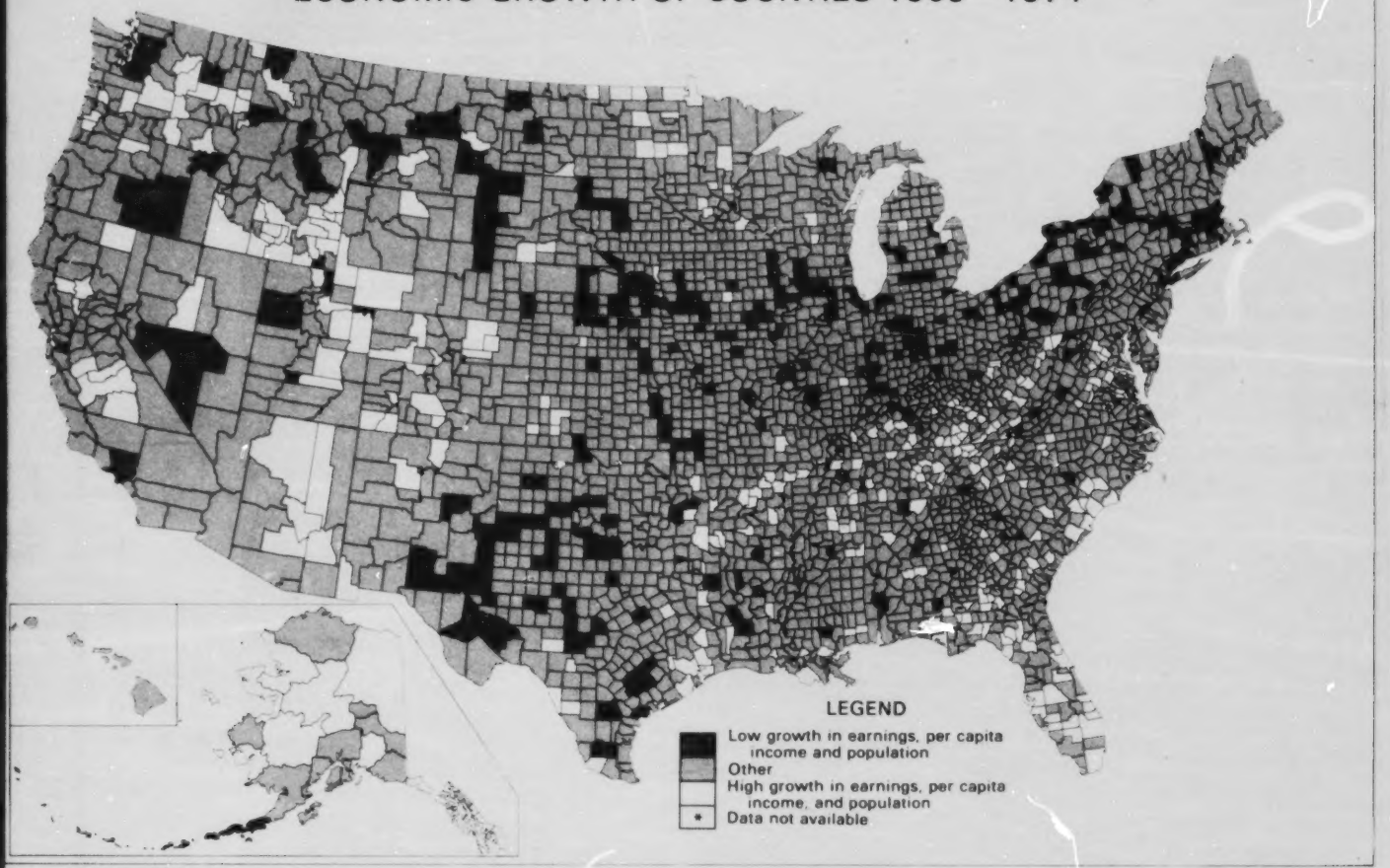
	Mean Score for all Counties	Mean Score for Strong-Growth Counties	Mean Score for Low-Growth Counties
Percent Change in Per Capita Income, 1969-1974	56.5	72.1	38.8
Percent Change in Aggregate Personal Income, 1969-1974	65.8	95.7	37.1
Percent Change in Aggregate Earnings, 1969-1974	61.8	102.4	26.8
Percent Change in Total Population, 1969-1974	6.4	13.8	-1.3
Percent Change in Total Population, 1960-1970	5.5	10.4	-0.3
Net Migration 1969-1974 as Percent of 1969 Population	4.0	10.5	-3.5
Dollars Per Capita Income, 1969	2,911	2,596	3,366
Dollars Per Capita Income, 1974	4,510	4,462	4,669
Percent Poor, 1970	20.5	24.4	16.4
Percent Unemployed, 1970	4.6	5.2	4.1
Population, 1975	68,924	51,374	191,719
Percent Black, 1970	9.1	10.1	5.2

SOURCE: CBO calculations.

a/ Counties are classified using a composite measure of economic growth that takes into account the percent change in earnings, per capita income and population between 1969 and 1974.

Figure 4.

ECONOMIC GROWTH OF COUNTIES 1969—1974


LEGEND
Low growth in earnings, per capita income and population
Other
High growth in earnings, per capita income, and population
Data not available

Source: CBO calculations from data compiled by U.S. Bureau of Economic Analysis

Map prepared by U.S. Bureau of the Census

Figure 5.
Regional Distribution of Counties with High or Low Rates of Economic Growth [a]

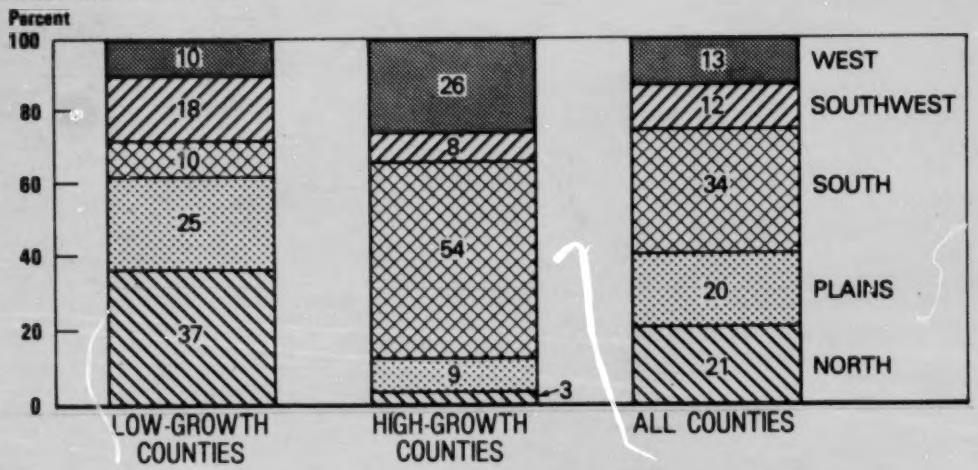
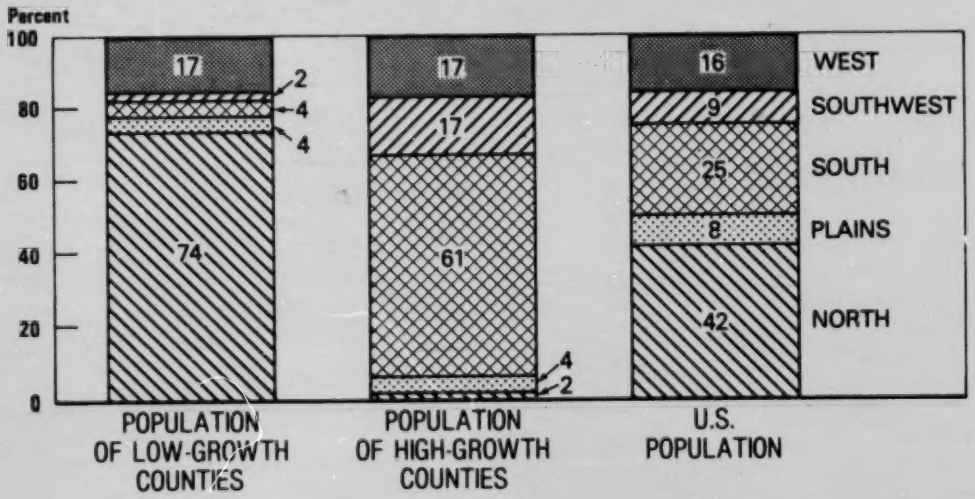


Figure 6.
Regional Distribution of People Residing in Counties with High or Low Rates of Economic Growth [a]



Note: Components may not add to 100 percent because of rounding.

[a] Counties are grouped using CBO's composite measure of economic performance.

THE LOCATION OF LOW-INCOME COUNTIES

The economic problems associated with low levels of income were also found throughout the country. Figure 7 indicates the income level of all U.S. counties.

While low-income counties were found in all regions, their distribution among regions differed from that of all counties. The South accounted for a much larger proportion of low-income counties than it did of all counties or of counties with high incomes. Sixty-three percent of all low-income counties were in the South. The Southwest, with 18 percent, was also overrepresented in the group of low-income counties (see Figure 8).

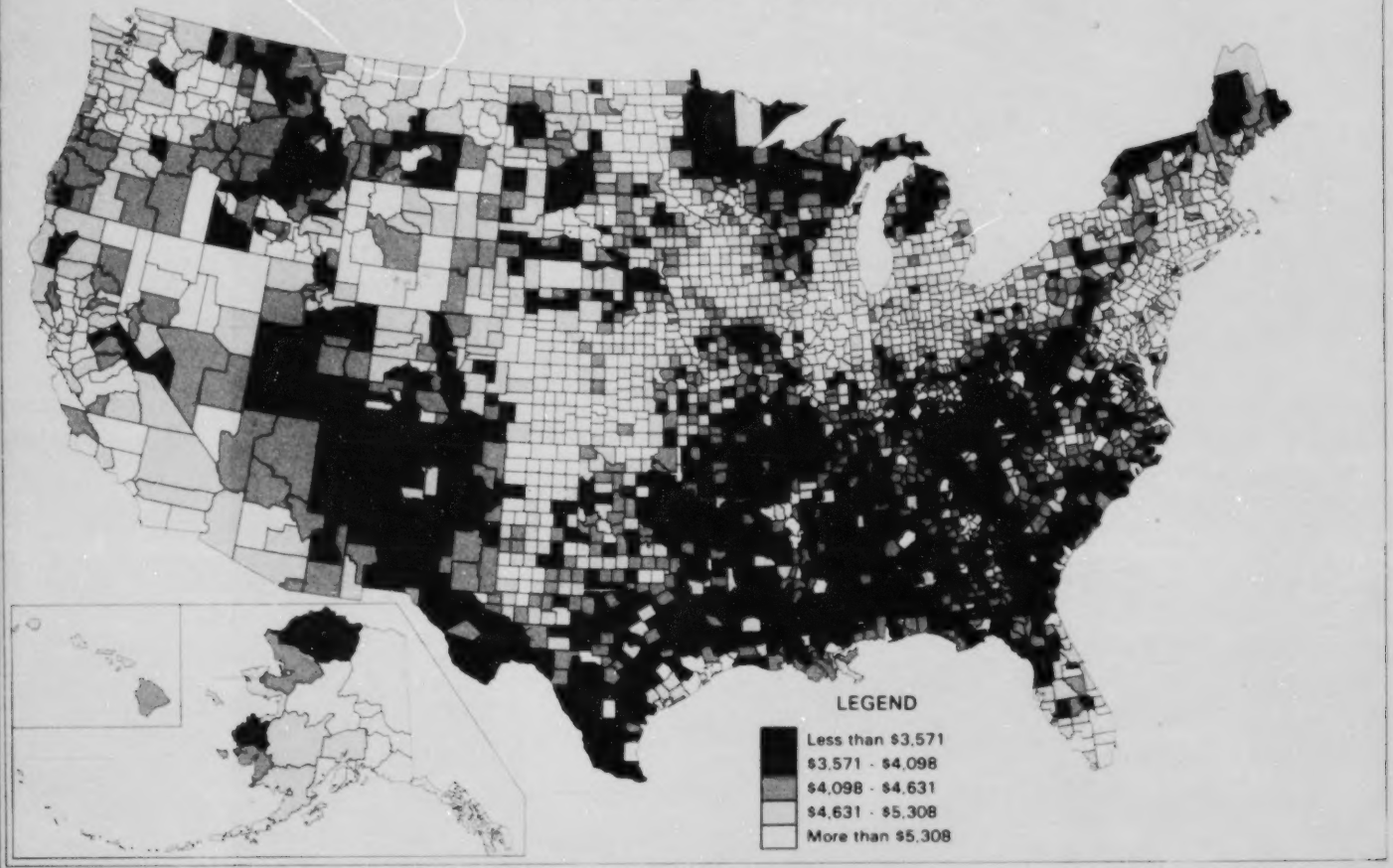
Each region accounted for approximately the same proportion of the total affected resident population as it did of the total number of places classified as poor (see Figure 9). This was so because low-income counties tend to be small and rural no matter where they are.

The North and Plains states each accounted for a little less than one-third of the counties in the top quintile on the income measure, and the West accounted for approximately one-fifth. These three regions, which together accounted for 83 percent, were clearly disproportionately represented in the top quintile. Nationally, they account for only 54 percent of all counties.

Almost three-quarters of the residents of all high-income counties lived in the North and the West. Even though one-third of all high-income counties was in the Plains states, these counties housed only 7 percent of the affected population. These counties, while larger than poor counties in the same region, had very small populations relative to high-income counties in other regions.

Figure 7.

PER CAPITA INCOME OF COUNTIES 1974



Source: CBO calculations from data compiled by U.S. Bureau of Economic Analysis.

Map prepared by U.S. Bureau of the Census.

Figure 8.
Regional Distribution of Counties with High or Low Incomes [a]

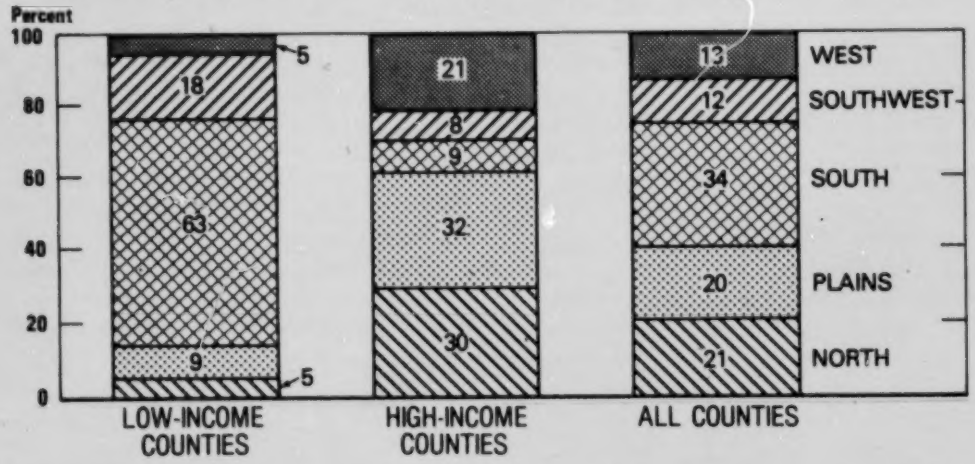
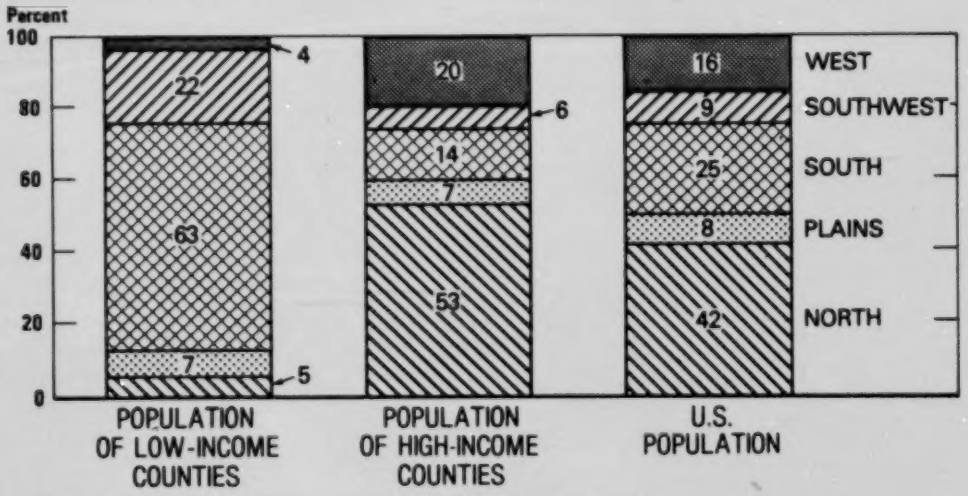


Figure 9.
Regional Distribution of People Residing in Counties with High or Low Incomes [a]



Note: Components may not add to 100 percent because of rounding.

[a] Includes counties in the top and bottom quintile on the income distribution. Low-income counties had per capita incomes less than $3,571 in 1974 while high-income counties had per capita incomes higher than $5,308.

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THE LOCATION OF COUNTIES WITH LOW INCOME AND LOW GROWTH

Counties were unlikely to experience simultaneously both types of economic problems--low income and low growth. Only 1 percent of all counties were found to be both poor and declining as measured by the composite index. Of these few, most were found in the Southwest and South. A slightly larger proportion of all counties--2 percent--had the good fortune of relatively high per capita income and strong economic growth. Most of these were located in the West.

If current economic trends continue, differences among counties in level of per capita income will narrow. Low-income counties were more prone than others to have experienced high levels of economic growth in the preceding period, whereas the economies of high-income counties were generally stagnating or declining. Table 4 shows the shares of each of the income quintiles that were determined to be growing or declining (according to the composite measure).

TABLE 4. COUNTIES GROUPED BY PER CAPITA INCOME 1974 AND ECONOMIC GROWTH, 1969-1974

Per Capita Income Quintiles		Number of Counties	Counties Experiencing: Strong Economic Growth		Weak Economic Growth	
			Number	Percent a/	Number	Percent a/
All Counties		3,088	310	10	330	11
Lowest Quintile	1	615	76	12	38	6
Second Quintile	2	620	65	11	66	11
Third Quintile	3	615	55	9	68	11
Fourth Quintile	4	618	57	9	77	13
Highest Quintile	5	620	57	9	81	13

a/ The percentages represent the proportion of counties falling in a given income quintile that is experiencing strong or weak economic growth. For example, 12 percent of the counties in the lowest category on the income measure experienced strong economic growth between 1969 and 1974.

REGIONAL INCIDENCE OF ECONOMIC DIFFICULTY

The North

Growth in earnings, per capita income, and population were found to be substantially below the national average for counties in the North. The performance of northern local economies with respect to per capita income change was particularly poor. Almost one-fifth of all counties in the North were classified as declining, and more than half of the region's population--almost 47 million people--lived in these counties. Only 1 percent of the counties had rapidly growing economies.

As shown in Table 5, more than three-quarters of the population of Massachusetts, Connecticut, and New York lived in declining counties. Rhode Island, Illinois, Indiana, and Ohio had more than half of their populations living in places with stagnant economies.

Most local economies in the North produced relatively high average incomes. In 1974, the average per capita income for counties in the region was 8 percent higher than the average for all counties in the United States. High average per capita incomes do not mean, however, that poverty of individuals is not a problem; large numbers of poor families may be found in counties with average or high per capita incomes.

The Plains States

Counties in the Plains states showed above average growth rates in total earnings and per capita income but a lower than average increase in population. Forty-five percent of all Plains states counties actually lost population.

Large increases in farm prices during 1969 to 1974 are responsible for the high growth rate in earnings and income, but since 1973, farm prices have leveled off and, in many instances, even declined substantially. Thus the economic strength of farm areas suggested by the statistics in Tables 1 and 5 should be interpreted with caution.

In the region as a whole, 13 percent of the counties with 13 percent of the region's residents were classified as declining. Most of these declining, or low-growth, counties were in Iowa and Nebraska. Four percent of the region's counties were classified as growing. The largest share of growing counties was in Minnesota and North Dakota.

Average per capita incomes for counties in the Plains states were relatively high in 1974--9 percent better than the average for all

counties in the nation. Slightly over half of the region's population lived in counties falling in the highest income quintile. Thirty-two percent of the region's counties fell into this group.

The average per capita income was relatively low in 9 percent of the counties in the region. There was some diversity in the experience of different states. Kansas had no poor counties, while more than a quarter of Missouri's counties had per capita incomes that placed them in the bottom quintile nationally.

The Southwest

Earnings and per capita income in the counties of the Southwest grew at rates markedly below the national average--a somewhat surprising finding, since these counties are part of the presumably booming sunbelt. Population in the region grew at above average rates, however. The region ranked second to the North in proportion of counties classified as declining. Unlike the North, however, declining counties in the Southwest do not tend to be large population centers and thus only 6 percent of the population was found in areas with sluggish economies.

Arizona's economy was growing more rapidly than that of the other three states in the region. None of its counties fell in the low-growth category, while 36 percent were classified as experiencing strong growth. In Texas, Oklahoma, and New Mexico, between 10 and 19 percent of the counties exhibited low growth, and between 4 and 9 percent were growing.

The South

Counties in the South had above average rates of growth in earnings, per capita income, and population. In the region as a whole, fully 16 percent of the counties were included in the strong-growth category.

The experience of states within the region varied but no state except Delaware had fewer than 5 percent of its counties classified as being among the fastest growing in the nation. Florida stands by itself with 39 percent of its counties so designated; 58 percent of the residents of that state lived in these counties. Other states with more than 15 percent of their counties categorized as strong-growth areas were Virginia, Kentucky, Tennessee, Arkansas, and South Carolina.

Very few of the region's counties--only 3 percent--were found to have low growth rates relative to the national average on the composite measure of economic change. Only in Maryland was a substantial part of the population--23 percent--affected by economic decline.

In the South, the average per capita income for counties was found to be quite low. Fully 36 percent of all counties in the region fell in the lowest quintile nationally on the income measure. The proportion of counties that had low incomes varied by state. Delaware and Maryland had no poor counties at all. At the other extreme were Mississippi and Alabama. Sixty-eight percent of Mississippi's counties and 55 percent of Alabama's were classified as poor. Only 5 percent of the South's counties were classified among those with the highest per capita incomes in the nation. Since these counties tend to be large and urban, however, they were home for almost a third of the region's population. In Delaware, Florida, Georgia, Maryland, Virginia, and Tennessee 25 percent or more of the states' populations resided in high-income areas.

The West

As shown in Table 5, counties in the western states fared relatively well between 1969 and 1974. The region had the highest average growth in population and earnings and above average growth in per capita income. A relatively large proportion of its counties--21 percent--were classified as growing; this is greater than in any other region. In Idaho and Alaska, fully half the counties had economies experiencing strong economic growth. In Idaho, more than half the state's population lived in such counties. Utah, Colorado, Washington, and Oregon also had 15 percent or more of their counties in the strong-growth category.

The West also included a number of low-growth counties. In Montana, Nevada, Utah, and Wyoming, between 12 and 20 percent of the counties were classified as declining. Most of these counties, however, had relatively few residents. In the states of Washington and California, however, a number of the larger population centers were suffering with weak economies; 52 percent of all Washingtonians and 41 percent of Californians lived in these low-growth counties.

On the income measure as well as on the growth measures, the West appeared better off than other regions. The per capita income for the average county in the West was higher than in other regions and 14 percent above the national average. The region had the largest share of high-income counties and the next-to-lowest share of low-income counties. Seven states--Wyoming, Nevada, Alaska, California, Hawaii, Oregon, and Washington--had no counties with average per capita incomes low enough to place them in the bottom quintile nationally. All states in the region but one had one-fourth or more of their counties in the high-income category. Utah's economic situation appeared worse than others in the region: 41 percent of its counties had low per capita incomes and none had high incomes.

TABLE 5. PROPORTION OF COUNTIES WITH HIGH OR LOW GROWTH AND WITH HIGH OR LOW PER CAPITA INCOMES, AND PERCENT OF POPULATION AFFECTED, BY REGION AND STATE

	Number of Counties	Percent of Counties With:				Population in Thousands (1975)	Percent of Population Residing in Counties With:			
		Low Growth	High Growth	Low Income	High Income		Low Growth	High Growth	Low Income	High Income
UNITED STATES	3,088	11	10	20	20	212,848	30	8	5	57
NORTH	(649)	(19)	(1)	(5)	(28)	(90,433)	(52)	(*)	(*)	(71)
Maine	16	6	0	6	0	1,059	4	0	3	0
New Hampshire	10	0	0	0	10	818	0	0	0	30
Vermont	14	0	0	0	0	471	0	0	0	0
Massachusetts	14	50	0	0	71	5,818	80	0	0	82
Rhode Island	5	40	0	0	60	927	71	0	0	83
Connecticut	8	38	0	0	75	3,095	77	0	0	93
New Jersey	21	19	0	0	71	7,316	33	0	0	81
New York	58	36	0	0	26	18,122	78	0	0	82
Pennsylvania	67	19	0	0	24	11.829	41	0	0	63
Illinois	102	14	1	4	48	11,145	59	*	*	84
Indiana	92	33	0	2	20	5,311	55	0	*	42
Michigan	83	10	2	13	20	9,157	18	*	2	75
Ohio	88	18	2	7	27	10,759	53	*	1	63
Wisconsin	71	4	4	10	14	4,606	23	2	2	48
PLAINS STATES	(619)	(13)	(4)	(9)	(32)	(16,687)	(13)	(3)	(4)	(51)
Iowa	99	26	1	1	41	2,870	18	2	*	59
Kansas	105	10	4	0	53	2,267	7	1	0	55
Minnesota	87	1	13	11	26	3,925	12	6	4	50
Missouri	115	6	1	29	5	4,763	17	*	9	48
Nebraska	93	28	1	6	37	1,542	12	*	2	63
North Dakota	53	4	11	4	51	637	4	29	1	54
South Dakota	67	13	4	9	15	683	11	3	5	10
SOUTHWEST	(377)	(16)	(7)	(29)	(13)	(18,319)	(6)	(15)	(12)	(40)
Oklahoma	77	10	4	34	12	2,712	9	3	19	40
Texas	254	19	6	27	15	12,236	6	19	11	41
New Mexico	32	16	9	44	3	1,147	14	4	21	1
Arizona	14	0	36	14	7	2,224	0	12	4	55

(Continued)

TABLE 5 (Continued).

	Number of Counties	Percent of Counties With: Low Growth	High Growth	Low Income	High Income	Population in Thousands (1975)	Percent of Population Residing in Counties With: Low Growth	High Growth	Low Income	High Income
UNITED STATES	3,088	11	10	20	20	212,848	30	8	5	57
SOUTH	(1,051)	(3)	(16)	(36)	(5)	(52,939)	(4)	(18)	(12)	(32)
Delaware	3	0	0	0	67	579	0	0	0	84
District of Columbia	1	0	0	0	100	716	0	0	0	100
Florida	67	0	39	25	16	8,346	0	58	3	57
Georgia	158	3	11	35	2	4,926	7	6	11	26
Maryland	24	8	8	0	33	4,098	23	1	0	63
North Carolina	100	2	13	21	4	5,451	1	8	8	21
South Carolina	46	0	20	33	2	2,818	0	23	17	2
Virginia	94	3	19	17	10	4,751	2	24	5	36
West Virginia	55	4	13	40	5	1,803	3	11	16	18
Alabama	67	6	7	55	1	3,614	9	7	24	18
Kentucky	120	4	18	39	3	3,396	7	12	22	24
Mississippi	82	1	10	68	1	2,346	*	10	42	10
Tennessee	95	4	26	44	3	4,188	2	14	15	35
Arkansas	75	1	17	43	7	2,116	*	16	20	18
Louisiana	64	8	6	36	2	3,791	4	7	15	15
WEST	(392)	(8)	(21)	(8)	(34)	(34,470)	(31)	(8)	(1)	(70)
Colorado	63	0	19	14	22	2,543	*	17	2	43
Idaho	44	5	50	9	25	821	2	53	4	34
Montana	56	20	7	13	34	748	7	20	8	32
Nevada	17	12	6	0	59	592	2	*	0	92
Utah	29	14	21	41	0	1,206	2	8	21	0
Wyoming	23	13	13	0	39	374	4	14	0	60
Alaska	23	4	52	0	65	352	2	19	0	87
California	58	5	14	0	45	21,133	41	5	0	84
Hawaii	4	0	0	0	25	865	0	0	0	81
Oregon	36	8	17	0	25	2,289	1	7	0	44
Washington	39	10	18	0	46	3,547	52	10	0	60

*Less than 1 percent.

Note: Four counties in Virginia are omitted from the analysis for reason of data unavailability.

INCIDENCE OF ECONOMIC DIFFICULTY BY TYPE OF COMMUNITY

Economic decline appeared to be a greater problem in metropolitan than nonmetropolitan areas (see Table 6). Fifteen percent of metropolitan counties were classified as declining in contrast with 10 percent of nonmetropolitan counties. Problems stemming from relatively low economic growth emerged most commonly in the central counties of the largest Standard Metropolitan Statistical Areas (SMSAs). 4/ More than half of such central counties (i.e., those counties containing the central city) were found to be declining.

The incidence of growth problems was also high in counties adjoining metropolitan areas and with relatively large nonrural populations. Fifteen percent of these counties, mostly located in the North, were classified as declining.

Growth problems were particularly severe in the North: more than 80 percent of the central counties of large SMSAs and 30 percent of metropolitan counties were found to be declining. At the same time, none of the counties that make up metropolitan areas in the North were classified as growing.

While low growth rates appeared more often to be a problem for metropolitan areas, low per capita income was a more prevelant problem for nonmetropolitan areas. Only 7 percent of all counties in metropolitan areas, and only 2 percent of counties in the largest SMSAs, fell in the bottom quintile on the per capita income measure. In contrast, 38 percent of metropolitan counties had incomes high enough to place them in the top quintile in the national distribution. Relatively high proportions of low-income counties were found in nonmetropolitan areas, particularly among those counties that were essentially rural.

4/ Counties were divided into groups based on their location in a "standard metropolitan statistical area (SMSA)." Metropolitan counties were further classified based upon the population size of the SMSA of which they are a part. For this study, central counties in the largest metropolitan areas were distinguished from suburban counties. The distinction was not made for counties in smaller SMSAs, since the central city was likely to account for a small proportion of the central county; therefore, the central county was unlikely to differ in character from the other counties that make up the SMSA. Nonmetropolitan counties were subdivided into four groups based on two criteria: whether they have populations of 2,500 inhabitants or more, and whether the county is adjacent to an SMSA. A county was considered "urbanized" if it included more than 20,000 urban residents.

TABLE 6. PROPORTION OF COUNTIES GROWING AND DECLINING AND WITH HIGH OR LOW INCOMES, BY METROPOLITAN STATUS a/

	Number of Counties	Percent of Counties With: Low Growth	High Growth	Low Income	High Income
All Counties	3,088	11	10	20	20
Metropolitan Counties	605	15	7	7	38
In SMSAs with populations larger than one million	170	10	8	2	52
Central counties	43	54	9	0	86
Suburban counties	127	8	6	2	40
In SMSAs with populations between 250,000 and one million	258	13	6	6	38
In SMSAs with populations less than 250,000	177	14	10	12	24
Nonmetropolitan Counties	2,483	10	11	23	16
Adjacent to SMSAs	1,001	9	11	23	12
Urbanized	191	15	7	5	20
Rural	810	7	10	27	10
Not adjacent to SMSAs	1,484	10	13	23	18
Urbanized	137	9	13	2	14
Rural	1,345	11	11	26	19

a/ See footnote 4, in the text of this chapter.

CHAPTER III. THE GEOGRAPHIC PATTERN OF FEDERAL SPENDING

While private market forces have a large part in shaping the geographic pattern of economic development, the federal government's actions also play an important role. 1/ Not only is the federal government a major purchaser of goods and services; it also pursues policies that influence the decisions about locations that businesses and individuals make. This chapter reviews the geographic pattern of federal expenditures in order to uncover the extent to which spending is concentrated in areas that may be considered in need of economic stimulus either because of their low income levels or low growth rates.

A description of the amount and type of spending that takes place in counties with differing economic conditions offers a partial assessment of the geographic impact of federal actions. The assessment is incomplete because, while data are available to describe where the money goes, they offer no insight into what happens to the local economy once the money gets there.

Federal spending is generally believed to have a positive effect on the local economies of the places it goes to although the extent and nature of the effect is not well understood. At the very least, federal spending supports the jobs or incomes of area residents. The extent of the local economic benefit depends on the type of federal spending, the size of the local area, and the nature of the local economy. In some instances, the local multiplier effect would be greater than in others. If businesses or individuals receiving federal dollars use them to purchase goods and services produced locally, the multiplier effect would be large. If, on the other hand, most of the goods and services purchased are produced elsewhere, then the economic benefit of federal spending would accrue to other communities.

Some programs might be expected to have additional longer-term economic benefits because they involve an investment in the human or physical resources of an area. For example, a federally financed sewage collection and treatment system would provide some jobs and income to area residents at the time of construction; in addition, the project should yield continuing economic returns as new commerce and industry are attracted to the area.

1/ For a useful review of the literature, see Roger Vaughn, The Urban Impacts of Federal Policies: Vol. 2 Economic Development, RAND Corporation Report, R-2028-KF/RC, June 1977.

While positive economic effects have been assumed in this analysis, it is important to note that knowledge about the local economic impacts of federal spending is limited. Development-oriented programs undoubtedly have different effects on local areas than federal procurement or transfer programs--whether or not they are greater is unclear and probably depends on local circumstances. Research and evaluation efforts must be improved to gain the knowledge necessary to devise development strategies appropriate for different places.

Even a comprehensive review of spending cannot indicate all the ways in which the federal government influences patterns of development. This is so for two reasons: indirect effects extend beyond the immediate location of federal spending, and not all policies of the federal government are fully reflected in the expenditure budget.

Knowing the type and location of spending allows only a partial understanding of its effects. For example, federal spending on research and development may support jobs directly in a given area and indirectly if industries choose to develop nearby. There is a potential impact, however, on areas far away from the research site if a new technology is developed that changes current modes of production. As a result, new areas may find themselves with inherent advantages in attracting new economic development. The current understanding of economic interdependences is not well enough evolved to specify fully the second-order effects of many federal policies.

An examination of federal spending patterns cannot fully describe the geographic distribution of the effects of federal policy. The influence of tax, trade, regulatory, and foreign policies must also be considered. In many instances, such government decisions may have a greater impact on the economic fortunes of areas or regions than do spending decisions. These issues, however, lie outside of the scope of this analysis.

Information on the geographic distribution of federal funds is available on an annual basis. Federal agencies are required by the Office of Management and Budget to account for their budgets on a geographic basis. 2/ Spending information for roughly 1,300 programs is compiled and published annually by the Community Services Administration (CSA). This data base is the only one that allows a comprehensive analysis of federal funding flows at the county level.

2/ See OMB Circular A-84, "Reporting of Federal Outlays by Geographic Location."

The CSA data base has a number of weaknesses that should be kept in mind when interpreting the findings of this analysis. 3/ Most important is the unreliability of the reporting methods used for some programs. Agency accounting systems cannot always pinpoint the places where federal funds are spent. For programs in which this is the case, various proration techniques are used to estimate spending totals by county. While some of the techniques are likely to yield estimates that closely approximate the actual location of spending, others appear to be much less adequate. The reporting for approximately 31 percent of all federal spending appears quite unreliable. 4/ A second weakness of the data base is that the distribution of some funds is simply not reported. 5/ And third, agencies are generally reporting obligations, not outlays; spending and associated economic impacts of an obligation may take place over a span of years.

THE DISTRIBUTION OF FEDERAL SPENDING THROUGH ALL PROGRAMS

Data for fiscal year 1975 revealed large differences in the amounts spent by the federal government in various counties around the United States. For the nation as a whole, federal spending per capita averaged $1,494. The range in per capita expenditures among counties was from $323 to $24,793.

3/ The Community Services Administration carefully notes the limitations of its data in a comprehensive users' guide published in the summary volume of the Federal Outlays series. This guide lists all programs included in the data base and whether a proration or estimation technique is used to allocate outlays among counties. A brief description of each proration technique is also provided.

4/ This is a CBO estimate. See Appendix A for a further discussion of unreliable reporting methodologies.

5/ Spending from most housing programs, the state unemployment trust funds, the Legislative Branch, and intelligence activities were omitted from the 1975 data base.

Federal Spending In Low- and High-Growth Counties by Region and by Type of Community

In fiscal year 1975, low-growth counties as a whole received higher per capita amounts of federal funding. 6/ As a group, they received $1,665 per capita. Growing counties, in contrast received $1,259 per capita (see Figure 10).

Differences showed up in the average level of per capita expenditures by region. Those regions that experienced the strongest growth received the greatest amounts. As Chapter II discussed, however, aggregate data for regions present an incomplete picture. In the South and the West, counties experiencing the strongest economic growth were not favored in their receipt of federal funds. Indeed, low-growth counties in the South were major sites for federal spending and their experience was in part responsible for the high average-spending statistic calculated for the region as a whole.

Within each region, federal spending was greater in low-growth counties than in growing ones. Low-growth counties in all regions except the South received essentially the same level of expenditures from the federal government. There were greater regional differences in the experience of growing counties. Those in the North and Southwest received fewer federal dollars than rapidly growing counties elsewhere.

When the analysis was conducted using a data base restricted to those programs with the most reliable-seeming reporting methods, the differences between the amounts received by low- or high-growth counties narrowed (compare the U.S. totals in Figure 10). Dollars that were unreliably reported were concentrated disproportionately among declining counties. When these dollars were not counted, low-growth counties still appeared to receive more federal funds than growing counties, but both groups received less support than the national average. Throughout all the five regions, low-growth counties were recipients of more federal spending than were growing counties.

Northern counties, particularly those that were declining, were affected most by narrowing the consideration to reliably reported data. Initially, northern low-growth counties appeared relatively advantaged, receiving amounts similar to the average for all declining counties and higher than the U.S. average. With the more restricted data base, however, the per capita amount received by these counties appeared to drop below the national average, below the amount received by low-growth

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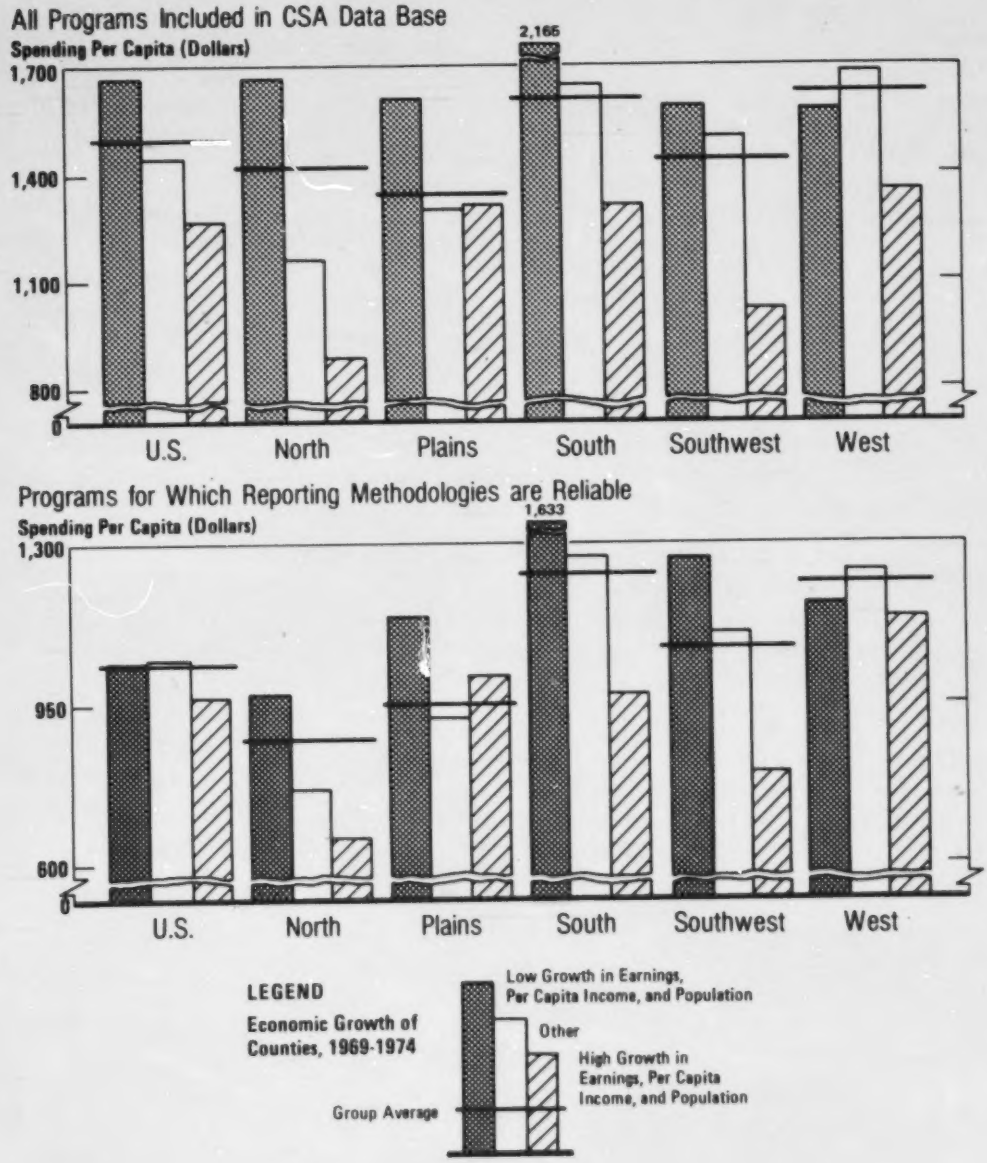
6/ All spending figures reported for groups of counties are averages weighted by population. The measure is derived by adding all expenditures in the various counties included in the group and dividing by total population.

Figure 10.

Federal Spending in Counties Grouped by Rate of Economic Growth and Region



counties elsewhere, and even below the average for all growing counties. This may be cause for concern since, as shown in the last chapter, declining counties in the North had 47.1 million residents, 74 percent of the population of all declining counties, and 22 percent of the U.S. total.

In both metropolitan and nonmetropolitan areas, the federal government spent more money in low-growth counties than in growing ones (see Figure 11). On average, metropolitan areas tended to receive more federal funds than nonmetropolitan areas. These conclusions held true no matter which data base was used. In shifting from the total data base to one made up of reliable data only, the major change was a reduction in the average amount received by declining metropolitan counties.

Federal Spending In Low- and High-Income Counties by Region and Type of Community

The pattern of the distribution of federal funds among rich versus poor counties is substantially different from that among growing or declining counties. In poor counties, federal expenditures per capita equalled $1,059 in 1975, 29 percent less than the national average. The counties with the highest incomes received an above-average amount--$1,665 per capita.

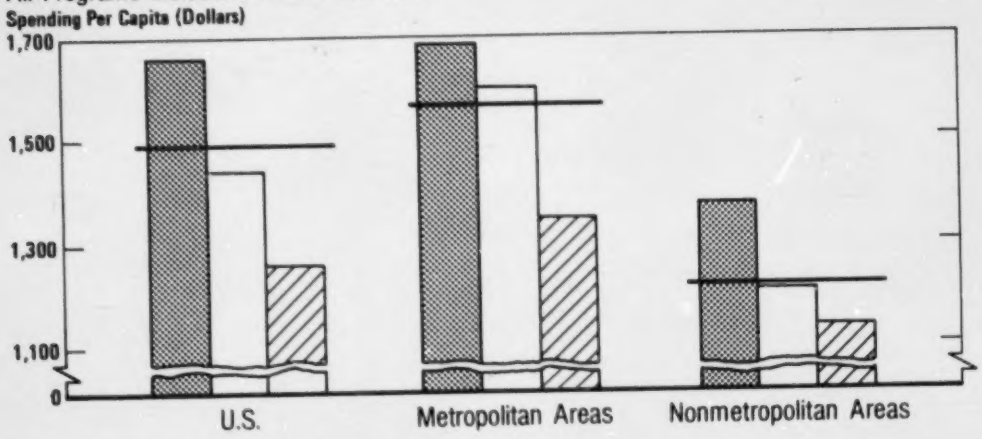
While counties in all regions ranking in the top quintile nationally on the income measure received more federal dollars than did poor counties in the same regions, the relationship between income levels and federal expenditures was not always straightforward (see Figure 12). In three regions--the South, West, and Plains states--high-income counties were the site of more federal spending than were lower-income counties. The situation was different in the North and Southwest. In the North, counties in the top and bottom quintiles on the income measure received more federal dollars than other counties with average income levels. In the Southwest, more federal dollars entered the economies of counties with average wealth.

The few poor counties located in the North tended to receive somewhat more federal dollars than did low-income counties in other regions. The average amount received by low-income counties in the other regions was roughly similar, with those in the South faring least well (see Figure 12).

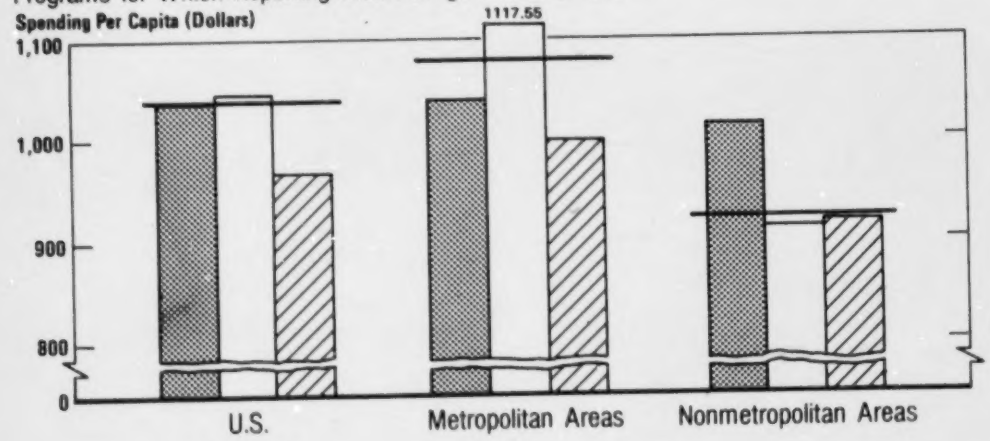
Figure 11.

Federal Spending in Counties Grouped by Rate of Economic Growth and Metropolitan Status

All Programs Included in CSA Data Base



Programs for Which Reporting Methodologies are Reliable



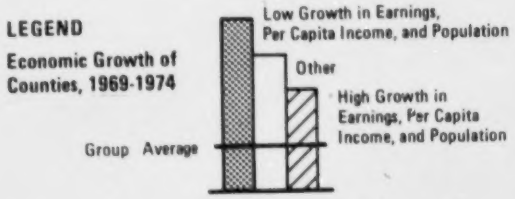
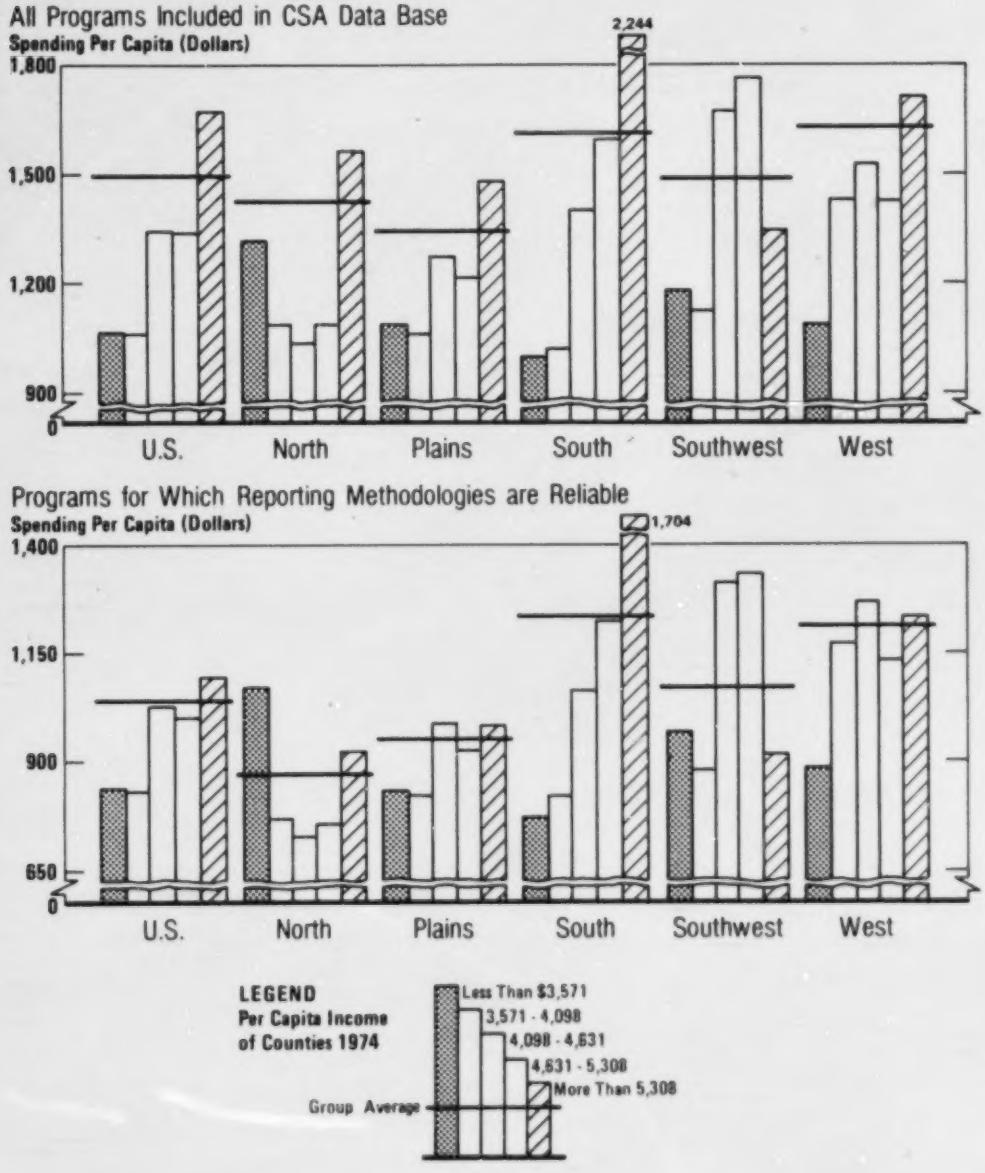

LEGEND
Economic Growth of Counties, 1969-1974
Group Average
Low Growth in Earnings, Per Capita Income, and Population
Other
High Growth in Earnings, Per Capita Income, and Population

Figure 12.

Federal Spending in Counties Grouped by Income Level and Region



There was much greater variation in the experience of counties that ranked in the top quintile nationally on the per capita income measure. High-income counties in the South received an average per capita of $2,244, 35 percent more than the average for all high-income counties. On the other hand, rich counties in the Southwest did considerably less well, receiving less than the typical high-income county.

The relationship between low-income and high federal spending appeared weaker when the analysis was limited to reliable data. Using all the data, the average amount received per capita by the richest counties was 57 percent higher than the average amount the poorest counties received. With unreliable data eliminated, the difference was lessened; rich counties received on average $1,094 per capita, only 31 percent higher than the poorest counties.

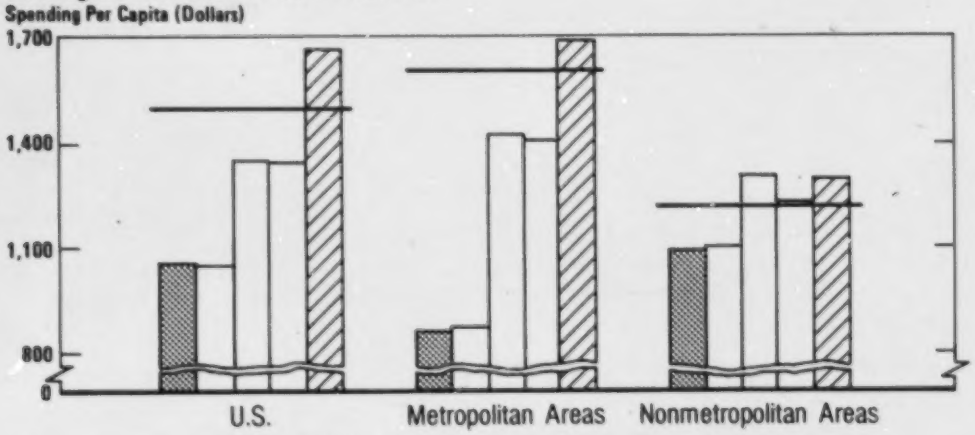
Within each region, the pattern of expenditures did not change very much (see Figure 12). Reported expenditures fell off somewhat more for northern high-income counties than for others. As a result, the average amount received by these counties dropped below the average for poor counties in the same region. As was the case when all data for the North were examined, however, both sets--the high- as well as the low-income counties--did better than their neighbors of closer to average income.

In both metropolitan and nonmetropolitan areas, higher-income counties received more federal support per capita than did their poorer counterparts (see Figure 13). On average, spending was higher in metropolitan areas than it was in nonmetropolitan areas. For low-income counties this was not true, however. The few low-income metropolitan counties received less federal money than did counties of equivalent income in nonmetropolitan areas.

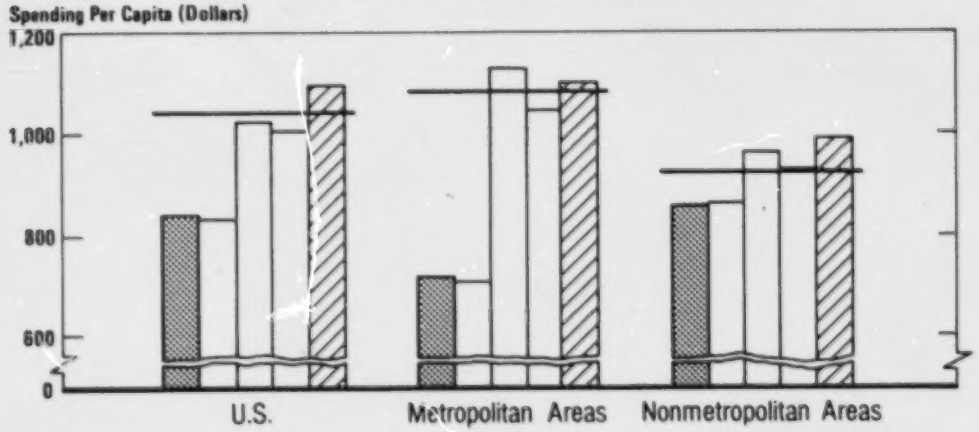
Figure 13.

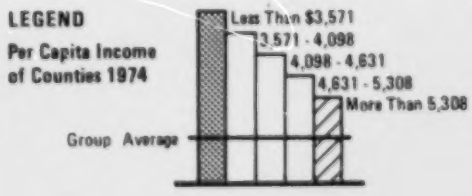
Federal Spending in Counties Grouped by Income Level and Metropolitan Status

All Programs Included in CSA Data Base



All Programs for Which Reporting Methodologies are Reliable





THE DISTRIBUTION OF FEDERAL SPENDING THROUGH DEVELOPMENT-ORIENTED PROGRAMS

Federal spending through different programs is expected to have different economic effects. In an analysis of the geographic patterns of economic development, it is important to distinguish programs oriented toward increasing the economic development of areas from programs with other purposes. 7/

While any attempt to classify programs is necessarily somewhat arbitrary, development programs can be thought of as those that will change the terms on which individuals, businesses, or areas compete in the economic marketplace. Such programs increase human or physical resources or change the relative risks involved in undertaking certain types of economic activities. Development programs differ from one another in focus: some aid individuals, while others assist corporate entities or geographic areas. The distinctions can be described as follows:

- Focus on individuals. A number of federal programs assist in the development of human resources; some aid in the general education of the populace, others seek to increase the ability of individuals to perform specific jobs. Human-resource development programs will aid in the development of areas so long as the individuals who receive the benefits reside there. But people are relatively mobile and some may choose to use their new skills to get jobs in other areas. Hence, a community could be deprived of the benefits that stem from funds spent there.

- Focus on business. These are the programs designed to assist specific firms or to facilitate the operation of whole sectors of the economy. Among them are programs that provide technical assistance and direct subsidies (e.g., farm price supports). Businesses are less mobile than individuals so federal support of business is likely to have a local impact. Of course, programs that facilitate private market operations may also have broader geographic effects as well.

- Focus on areas or regions. Programs that add to or improve the capital infrastructure of an area (e.g., federal highway

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7/ Of course, programs often serve several functions, and outcomes may differ from intended effects in some, if not all, locations. Whether programs intended to stimulate development have a greater impact on local economies than other forms of federal spending is not known and probably varies by program and by place.

programs) are the major components of this category. Also included are programs that provide assistance to local governments, allowing them to provide greater services or to lower taxes thereby increasing the area's relative attractiveness. For example, funds distributed under the general revenue sharing, community development block grant, or law enforcement assistance programs are considered part of this group of development programs.

Development-Oriented Spending in Low- and High-Growth Counties by Region and Type of County

For the nation as a whole, spending in federal development programs appeared not to favor declining counties. They received on average $230 per capita, in contrast to the $237 that growing counties got. 8/ Counties classified as neither declining nor growing attracted the largest amount on a per capita basis--$245.

Breaking the data down by region led to somewhat different conclusions. In all regions except the West, more federal development dollars went to low-growth counties than to growing ones. The relationship reversed in the West, where growing counties attracted a major share of development dollars. Per capita spending in growing western counties was higher than in any of the other categories of counties depicted in Figure 14.

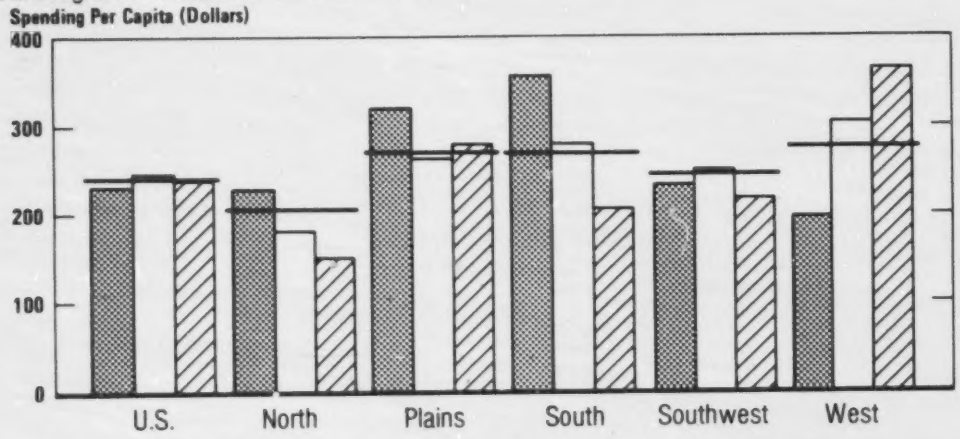
While low-growth counties tended to receive more development dollars than did growing counties in all regions except the West, the absolute level of expenditure and the relative advantage of low-growth counties varied by region. Declining counties in the South and Plains states received more federal development dollars than did those in the North and Southwest. The difference between declining and growing counties in how much federal development money they received was greatest in the South, where declining counties received 73 percent more than did growing counties. The relative advantage of low-growth counties was somewhat smaller in the North and Plains states. In the Southwest, declining counties received only a small amount more per capita than did growing counties, and both groups received less than other counties did.

8/ Reporting methods for the set of development-oriented programs were, in general, judged to be reasonably reliable. Only 6 percent of federal spending for these purposes was allocated among counties by inadequate methodologies. The discussion is based on outlay data for all development programs. Figures 14-17, however, also show spending patterns using the data base limited to programs for which reporting methodologies were judged reliable.

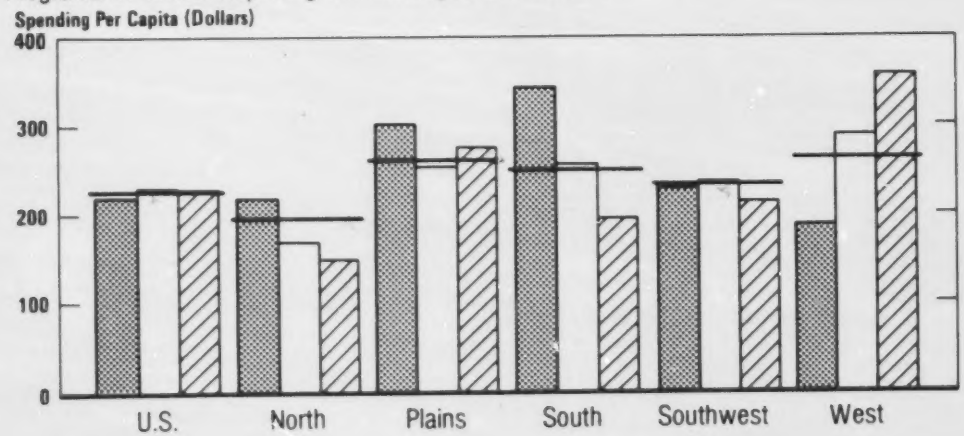
Figure 14.

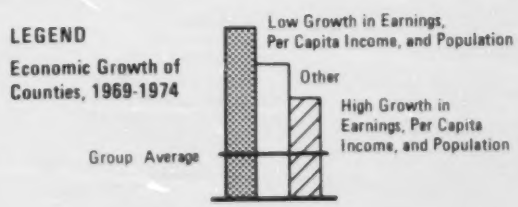
Development-Oriented Spending in Counties Grouped by Rate of Economic Growth and Region

All Programs Included in CSA Data Base



Programs in Which Reporting Methodologies are Reliable




LEGEND
Economic Growth of Counties, 1969-1974
Low Growth in Earnings, Per Capita Income, and Population
Other
High Growth in Earnings, Per Capita Income, and Population
Group Average

The higher levels of expenditures in the low-growth counties of various regions resulted from different types of development programs. No one type of program (human resources development, business development, or area development) consistently favored declining counties everywhere. Appendix B details the spending patterns for each of the categories of development programs.

For an average county in the nation, location in a metropolitan area did not affect its receipt of development-oriented expenditures. Average spending was roughly similar in metropolitan and nonmetropolitan counties. This factor was influential for both high- and low-growth counties, however. In metropolitan areas, low-growth counties received more federal funds than growing counties but less than the average for all metropolitan counties. In nonmetropolitan areas, the situation reversed: growing counties were favored sites for federal development spending; they received substantially greater amounts on a per capita basis than either low-growth nonmetropolitan counties or declining or growing metropolitan counties (see Figure 15).

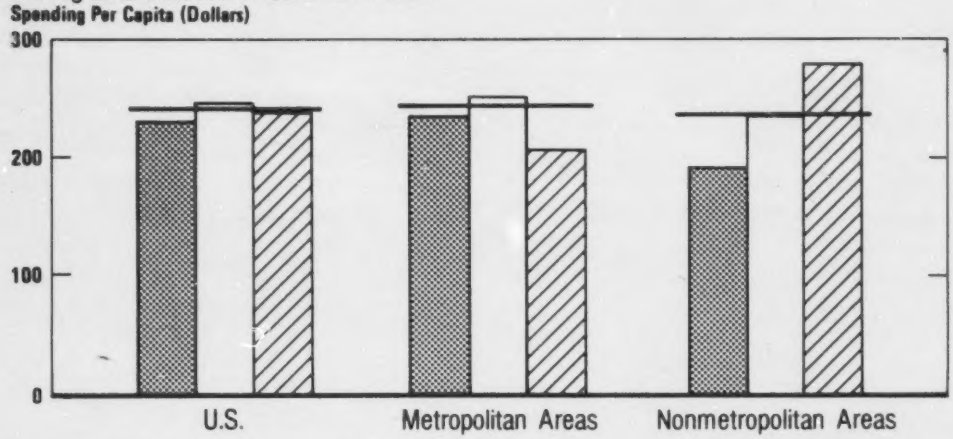
Development-Oriented Spending in Low- and High-Income Counties by Region and Type of County

A positive relationship between county income and location of federal spending was described earlier in this chapter. For those federal programs oriented toward development, the analysis found the relationship still positive but weaker than for total spending. Counties in the top national quintile on the income measure received $256 per capita from development-oriented programs, while the poorest counties attracted only $216 per capita.

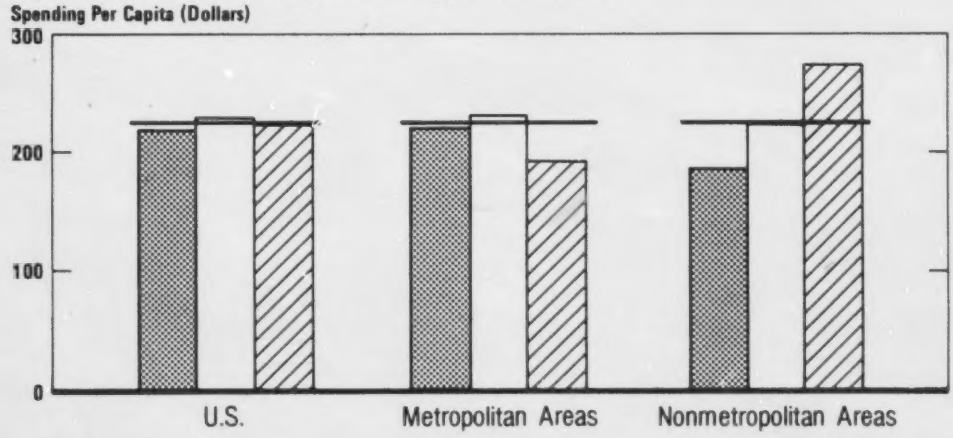
Figure 15.

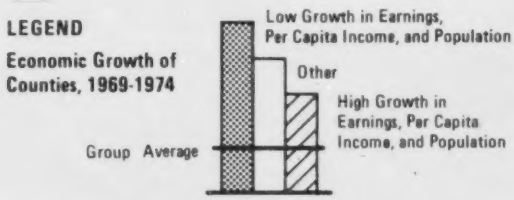
Development-Oriented Spending in Counties Grouped by Rate of Economic Growth and Metropolitan Status

All Programs Included in CSA Data Base



Programs for Which Reporting Methodologies are Reliable




LEGEND
Economic Growth of Counties, 1969-1974
Low Growth in Earnings, Per Capita Income, and Population
Other
High Growth in Earnings, Per Capita Income, and Population
Group Average

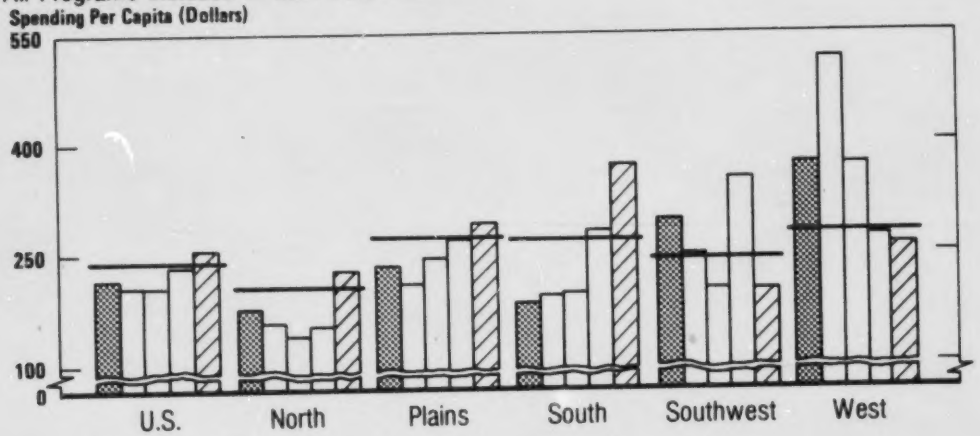
As shown in Figure 16, high-income counties in the North, South, and Plains states received more funds than did poorer ones. In the West and Southwest, quite different spending patterns emerged. In the West, poorer counties were the focus of greater federal efforts. The distribution of funds among counties in the Southwest followed no consistent pattern with respect to income.

High-income counties, whether located in metropolitan areas or not, received more federal assistance per capita for development than did counties with lower incomes. Among nonmetropolitan areas, counties appeared to receive similar amounts of federal development money--except those in the top quintile, which were clearly advantaged. In metropolitan areas, poorer counties received more development dollars than did counties with average incomes, but the highest-income counties received more than any others (see Figure 17). At any given level of income, nonmetropolitan counties received more federal development dollars.

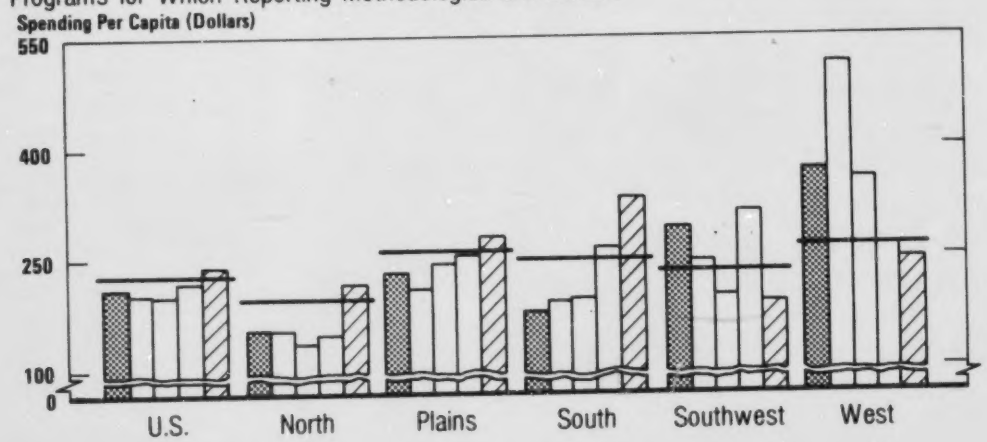
Figure 16.

Development-Oriented Spending in Counties Grouped by Income Level and Region

All Programs Included in CSA Data Base



Programs for Which Reporting Methodologies are Reliable



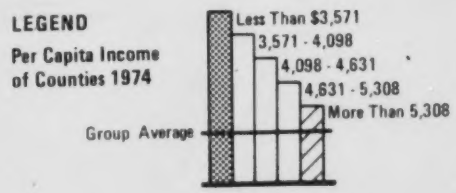
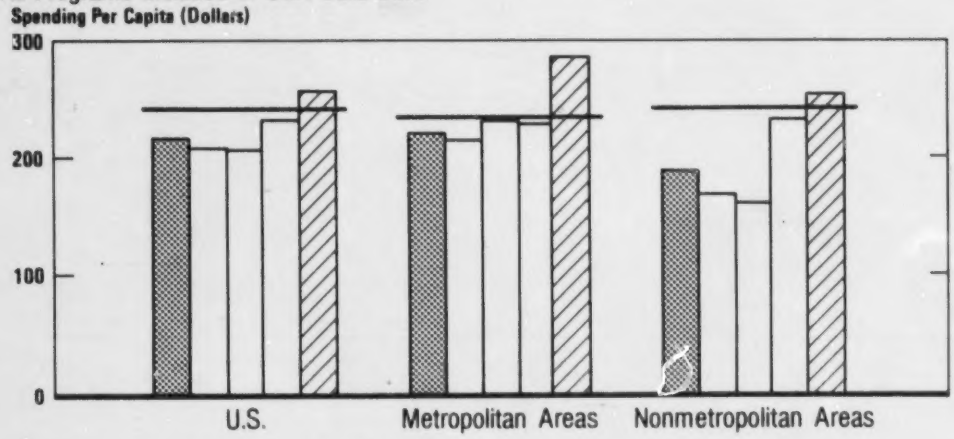


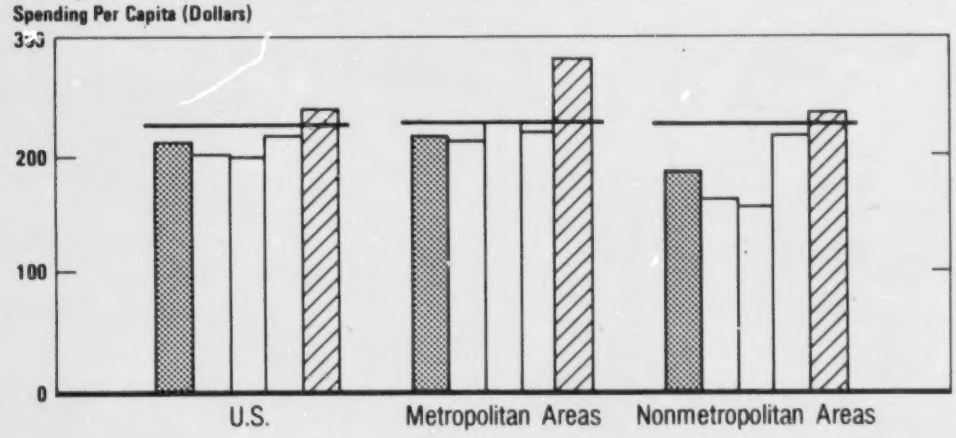
Figure 17.

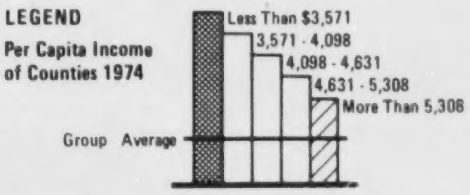
Development-Oriented Spending in Counties Grouped by Income Level and Metropolitan Status

All Programs Included in CSA Data Base



All Programs for Which Reporting Methodologies are Reliable





CONCLUSION

The spending patterns identified in this chapter appear to be relatively weak. While there are large differences in federal spending among counties, these discrepancies are only marginally related to differences in local economic circumstances.

Evaluation of these spending patterns depends to a large extent on the standard of need selected. If need is measured by rates of growth, then federal spending policies would be judged moderately favorable to needy areas. If income level is the basis for distinguishing areas in need of economic stimulus, however, then federal spending policies seem less favorable, since low-income counties were found to receive less federal funding than did high-income counties. These contradictory evaluations are inevitable, since many low-growth areas have relatively high incomes, and many low-growth areas are experiencing relatively high rates of growth.

Federal spending patterns could no doubt be changed to reflect better any given measure of need. Grant formulas could be modified or preferences given to needy areas in the selection of public works projects or procurement contractors. But the likely effects of such changes in spending or other policies cannot be predicted with any certainty. The factors influencing the location choices of businesses or individuals are so numerous, and the interrelationship among factors so complex, that researchers have been unable to specify with any degree of precision the effects of federal actions on geographic patterns of economic development. In the absence of such knowledge, it is difficult to identify federal policies that would, in combination with market forces, insure a healthy level of economic development in local areas throughout the country.

APPENDIXES

APPENDIX A. RELIABILITY OF DATA

Less than one-fourth ($79.2 billion) of the total outlays reported by the Community Services Administration, could be traced to the county level using agency accounting records. Other program outlays ($247.5 billion) were allocated among counties using statistical proration techniques. 1/ The adequacy of these techniques was subjected to a cursory review. In most instances, the estimation methods seemed likely to produce a reasonable representation of the flow of federal dollars. The reliability of the reporting methodology for some 31 percent of all federal spending seemed open to serious question, however. The programs for which this was judged to be the case are listed in Table A-1.

The reasons underlying the judgments applied in this paper concerning data quality vary. The Department of Defense accounts for 40 percent of the outlays that could not be apportioned in a reasonable fashion among counties. The department reports spending in its procurement programs at the major work place of the prime contractor. Since the concern here is with economic impact, and since it is known that roughly one-half of the procurement is subcontracted, reporting limited to the location of prime contractors seem inadequate. 2/

In the case of certain intergovernmental grant programs, a similar problem arises. State governments receive the initial grant payment; thus the county containing the state capital is credited with the federal outlays. The state government, however, may be mandated to redistribute those grant funds to local governments; the expected economic impact would in fact occur in the area where the funds are actually spent.

1/ See the "Users Guide," in Federal Outlays in Summary Fiscal Year 1975, compiled for the Executive Office of the President by the Community Services Administration.

2/ In public works programs, subcontracting also poses a problem. These programs, however, were not eliminated from the data base since expenditures for construction should be responsible for only a part of a project's local economic impact. The long-term return on the capital investment should accrue in large part to the area where the improvement took place. Outlays reported at the project site would seem, then, to be a reasonable indicator of the area benefiting from federal action.

In some programs, the allocation technique is simply too crude to reflect spending variations at the county level adequately. For example, Medicare expenditues are apportioned among counties based on 1970 enrollments in the program. The allocation technique, therefore, ignores differences in utiliation rates and in the price of medical services, as well as any shifts in population after 1970.

Reporting difficulties vary by type of federal program. Table A-2 shows the proportion of outlays eliminated from the analysis because of unreliable data for each category of federal spending. Problems were most serious in the category of programs labelled "National Purpose and Federal Purchases," reflecting primarily difficulties in Defense Department reporting.

TABLE A-1. FEDERAL PROGRAMS AND SPENDING DATA FOR WHICH REPORTING WAS JUDGED UNRELIABLE, BY AGENCY: DOLLARS IN MILLIONS

Agency and Program	Amount of Spending Reported
DEPARTMENT OF AGRICULTURE	
Food Distribution to Institutions a/	17.58
Food Distribution to Needy Families a/	37.21
Food Distribution to Schools a/	255.50
Nutrition Programs for the Elderly a/	1.95
Donation of Commodities to Schools a/	70.98
Payments to Agricultural Experiment Stations	76.70
Rural Development Research	1.50
Supplemental Food for Women, Infants and Children	83.29
Special Food Service Program for Children	95.63
State Administrative Expenses	4.07
AGENCY TOTAL	644.39
DEPARTMENT OF COMMERCE	
Commercial Fisheries--Research and Development	30.22
Fisherman Reimbursement of Losses	1.58
Ship Construction--Differential Subsidies	139.42
Ship Operating--Differential Subsidies	243.82
Research and Development	21.34
Operation of U.S. Merchant Marine Academy	4.56
Other Maritime Administration	0.46
Federal Ship Financing Fund	5.03
Economic Development--Grants to States	12.97
AGENCY TOTAL	459.40

(Continued)

TABLE A-1. (Continued)

Agency and Program	Amount of Spending Reported
DEPARTMENT OF DEFENSE	
Civilian Functions-Prime Contracts	1,055.86
Military Prime-RDTE Contracts	6,294.17
Military Prime Service Contracts	7,052.17
Military Prime Supply Contracts	22,495.62
Prime Contracts of Less than $10,000	4,442.40
AGENCY TOTAL	41,340.45
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE	
Maternal and Child Health Services	6.33
Social Security Payments to States for Certification	19.68
Social Security Payments for Disability Determination	211.57
Medicare/Hospital Insurance	10,415.00
Medicare/Supplementary Medical Insurance	3,780.00
Adult Education (grants to states)	68.96
Vocational Education (various parts)	545.48
Equipment of Deprived Children (various parts)	256.67
Equipment and Minor Remodeling Grants	19.66
Guidance Counseling and Testing	103.24
University Community Services	4.76
Special Programs for Aging	236.68
Grants for Public Libraries	48.70
Rehabilitation Services and Facilities	701.78
School Library Resources	87.69
Comprehensive Health Planning State Grants	12.03
Crippled Childrens' Services	66.45

(Continued)

TABLE A-1. (Continued)

Agency and Program	Amount of Spending Reported
HEW (Continued)	
Library Services/Interlibrary Cooperation	2.59
Construction of Public Libraries	4.05
Work Incentive Program	70.59
Developmental Disabilities (basic support)	33.42
Comprehensive Health Services (formula grants)	87.92
AGENCY TOTAL	16,783.25
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
Comprehensive Planning Assistance	101.49
AGENCY TOTAL	101.49
DEPARTMENT OF LABOR	
Food Stamp Assistance	19.78
AGENCY TOTAL	19.78
DEPARTMENT OF TRANSPORTAION	
Federal Grants to the National Railroad Passenger Corp	299.00
AGENCY TOTAL	299.00

(Continued)

TABLE A-1. (Continued)

Agency and Program	Amount of Spending Reported
DEPARTMENT OF TREASURY	
Refunding IRS Collections-Interest	22.98
Interest on the Public Debt	21,682.24
AGENCY TOTAL	21,905.22
CIVIL SERVICE COMMISSION	
Civil Service Retirement and Disability	7,054.40
Employees Health Benefits	1,707.52
Employees Life Insurance	372.84
Retired Employees Health Benefits	10.49
AGENCY TOTAL	9,145.24
POSTAL SERVICE	11,942.60

Table notes, page 59.

Note: Amounts for each program were taken from Federal Outlays in Summary: A Report of the Federal Government's Impact by State, County, and Large City, Fiscal Year 1975. The totals do not match those in Table A-2 for two reasons: First, the national summary volume includes outlays in the territories and other areas administered by the United States, and in foreign countries. These outlays are not included in the CBO analysis. Second, a computer problem resulted in the omission of roughly $4 billion dollars on the tape used in the CBO analysis. This error affects spending totals in only one county.

a/ Amounts for these five programs represent the current market value of donated commodities. The Community Services Administration treats these programs separately as "federal influence activities." For purposes of the CBO analysis, because of their similarity to other grant programs, these programs were included as federal outlays. Other forms of "federal influence" (surplus real or personal property donation programs, and guaranteed or insured loan programs) were omitted from the analysis because dollar values assigned to these programs were judged to be noncomparable to other federal outlays figures.

TABLE A-2. RELIABILITY OF DATA BY TYPE OF OUTLAY

	Total Outlays	Unreliably Reported Data	Unreliable Data as Percent of Total
DEVELOPMENT DOLLARS			
General Education	10,235.5	1,338.4	13.1
Job Training and Professional Development	6,653.0	831.6	12.5
Regional Development	10,728.6	0	0
Local Development	17,699.0	116.5	0.7
Business Development	5,817.4	689.0	11.8
Total Development Dollars	(51,133.5)	(2,975.5)	(5.8)
OTHER			
Income Security Retirement and Unemployment Insurance	91,256.4	7,579.7	8.3
Income Security Cash and In-kind transfers	47,525.9	16,711.3	35.2
Other (Purchases and National Purposes)	128,909.8	70,495.1	54.7
Total Other Dollars	(267,692.1)	(94,786.1)	(35.4)
TOTAL	(318,825.6)	(97,761.6)	(30.7)

APPENDIX B. DETAIL OF SPENDING PATTERNS BY PROGRAM TYPE

The following tables present information on spending patterns using a more detailed classification of program type. All federal programs for which outlays were reported by the Community Services Administration were grouped according to the intent of the program and its expected local economic impact. The following types of programs were distinguished:

- Development Programs--programs that may be expected to change the terms on which individuals, businesses, or areas compete--including

  Human Resource Development/General Education Programs;

  Human Resource Development/Job Training Programs and Professional Development;

  Business Development Programs--those programs designed to assist specific firms or to facilitate the operation of whole sectors of the economy, including programs that provide technical assistance and direct subsidies (e.g., agriculture price supports);

  Local Development Programs--programs that finance physical improvements such as local roads or sewers, and certain intergovernmental grant prgorams that help finance public services of a general nature (e.g., LEAA, general revenue sharing);

  Regional Development Programs--large public works projects such as interstate highways, dams, irrigation, etc., from which the expected long-term benefits extend beyond the area immediately adjacent to the construction site.

- Other federal spending, including:

  Income Security/Cash and In-kind Benefits programs--such as public assistance, food stamps, medicaid and medicare;

  National Purposes and Federal Purchases--defense and foreign affairs, regulatory activities, basic research, and other general government functions.

TABLE B-1. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY REGION AND GROWTH RATE

	UNITED STATES				NORTH				PLAINS			
	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth
DEVELOPMENT DOLLARS	240	230	245	237	204	228	179	150	270	318	262	277
General Education	48	43	50	51	37	38	37	31	47	52	46	70
Job Training	31	35	30	23	31	36	26	7	25	36	24	34
Regional Development	50	37	56	57	33	33	33	61	59	44	63	35
Local Development	83	88	81	78	84	92	75	35	77	125	69	81
Business Development	27	28	27	27	19	28	9	15	61	62	61	57
ALL OTHER FEDERAL SPENDING	1,256	1,436	1,198	1,027	1,217	1,440	978	736	1,072	1,291	1,037	1,038
Cash & In-Kind Transfers	223	289	193	213	234	297	166	177	189	196	187	189
Retirement & U.I. a/	428	442	420	438	418	437	398	395	431	470	428	351
Other Federal Programs	605	705	585	376	565	706	414	164	452	625	422	498
TOTAL SPENDING	1,494	1,665	1,440	1,259	1,420	1,666	1,155	884	1,338	1,606	1,296	1,309

	SOUTH				SOUTHWEST				WEST			
DEVELOPMENT DOLLARS	268	295	278	205	243	232	249	217	275	196	303	365
General Education	54	60	56	48	63	51	65	55	59	55	61	59
Job Training	32	28	34	24	28	14	30	18	35	35	37	26
Regional Development	66	122	68	42	46	42	47	43	70	32	82	128
Local Development	84	136	83	78	72	58	74	65	88	56	104	93
Business Development	31	9	37	13	35	67	32	35	22	18	20	60
ALL OTHER FEDERAL SPENDING	1,342	1,812	1,371	1,107	1,196	1,372	1,256	802	1,350	1,384	1,380	987
Cash & In-Kind Transfers	223	220	222	231	196	224	200	160	226	299	191	207
Retirement & U.I. a/	454	520	438	502	407	470	423	297	426	439	426	372
Other Federal Programs	665	1,072	711	374	593	678	633	345	698	646	763	408
TOTAL SPENDING	1,606	2,165	1,645	1,307	1,435	1,587	1,500	1,017	1,623	1,578	1,681	1,350

Note: Numbers may not add because of rounding.

a/ Unemployment insurance.

TABLE B-2. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY REGION AND GROWTH RATE (RELIABLY REPORTED DATA ONLY)

	UNITED STATES				NORTH				PLAINS			
	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth
DEVELOPMENT DOLLARS	226	219	229	226	192	217	167	146	259	301	252	272
General Education	42	38	43	46	31	34	29	31	41	40	40	69
Job Training	27	32	26	19	28	33	22	4	22	31	20	30
Regional Development	50	37	56	57	33	33	33	61	59	44	63	35
Local Development	83	88	80	77	83	92	74	35	76	124	68	81
Business Development	24	24	24	27	17	25	9	15	61	62	61	57
ALL OTHER FEDERAL SPENDING	812	819	816	739	677	754	593	510	690	836	665	738
Cash & In-Kind Transfers	145	182	128	138	142	183	97	99	115	110	116	122
Retirement & U.I. a/	393	407	385	396	391	405	376	382	405	441	402	331
Other Federal Programs	274	230	303	205	144	166	120	29	170	285	147	285
TOTAL SPENDING	1,038	1,038	1,045	965	869	971	760	656	949	1,137	917	1,010

	SOUTH				SOUTHWEST				WEST			
DEVELOPMENT DOLLARS	248	342	256	192	229	228	234	213	262	185	288	356
General Education	48	51	50	40	55	51	56	55	53	55	51	53
Job Training	27	24	29	20	23	10	26	15	32	32	33	22
Regional Development	66	122	68	42	46	42	47	43	70	32	82	128
Local Development	84	136	82	77	71	58	73	65	88	56	103	93
Business Development	23	9	27	13	34	67	32	35	19	10	19	60
ALL OTHER FEDERAL SPENDING	982	1,292	1,013	775	838	1,041	870	586	946	981	950	779
Cash & In-Kind Transfers	157	153	161	144	136	150	139	118	151	205	125	146
Retirement & U.I. a/	404	458	390	451	372	426	386	273	384	396	384	335
Other Federal Programs	421	681	462	180	330	465	345	195	411	380	441	298
TOTAL SPENDING	1,230	1,634	1,269	967	1,067	1,269	1,104	799	1,208	1,166	1,238	1,135

Note: Numbers may not add because of rounding.

a/ Unemployment insurance.

TABLE B-3. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY METROPOLITAN STATUS AND GROWTH RATE

	UNITED STATES				METROPOLITAN				NONMETROPOLITAN			
	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth
DEVELOPMENT DOLLARS	239	230	245	237	242	234	251	207	234	191	233	279
General Education	48	43	50	52	49	43	53	53	44	33	45	49
Job Training	31	35	30	23	37	38	37	30	16	8	17	14
Regional Development	50	37	56	57	44	36	51	29	67	48	65	97
Local Development	83	88	81	78	88	91	88	78	69	58	69	77
Business Development	27	28	27	27	23	26	22	17	37	44	36	41
ALL OTHER FEDERAL SPENDING	1,256	1,436	1,193	1,027	1,014	1,459	1,321	1,145	1,329	1,189	973	859
Cash & In-Kind Transfers	223	289	193	213	232	300	188	218	200	174	202	204
Retirement & Other U.I. a/	428	442	420	438	429	442	417	463	427	444	428	403
Other Federal Programs	605	705	585	376	702	717	716	464	353	571	343	252
TOTAL SPENDING	1,494	1,665	1,440	1,259	1,603	1,691	1,569	1,348	1,211	1,375	1,203	1,135

Note: Numbers may not add because of rounding.

a/ Unemployment insurance.

TABLE B-4. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY METROPOLITAN STATUS AND GROWTH RATE (RELIABLY REPORTED DATA ONLY)

	UNITED STATES				METROPOLITAN				NONMETROPOLITAN			
	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth	Average	Low Growth	Other	High Growth
DEVELOPMENT DOLLARS	225	219	229	226	226	222	232	192	227	188	225	275
General Education	42	38	43	46	42	39	44	43	42	33	42	49
Job Training	27	32	26	19	33	34	33	26	12	5	13	11
Regional Development	50	37	56	57	44	36	51	29	67	48	65	97
Local Development	82	88	80	77	88	91	87	77	69	58	69	77
Business Development	24	24	24	27	19	22	17	17	37	44	36	41
ALL OTHER FEDERAL SPENDING	812	819	816	739	858	820	887	807	694	827	687	644
Cash & In-Kind Transfers	145	182	128	138	151	190	126	136	129	97	131	142
Retirement & Other U.I. a/	393	407	385	396	392	407	379	414	396	414	398	371
Other Federal Programs	274	230	303	205	315	223	382	257	169	316	158	131
TOTAL SPENDING	1,037	1,038	1,045	965	1,084	1,042	1,119	999	921	1,015	912	919

Note: Numbers may not add because of rounding.

a/ Unemployment insurance.

TABLE B-5. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY REGION AND INCOME QUINTILE

	UNITED STATES						NORTH						PLAINS					
	Average	Low Income 1	2	3	4	High Income 5	Average	Low Income 1	2	3	4	High Income 5	Average	Low Income 1	2	3	4	High Income 5
DEVELOPMENT DOLLARS	240	216	205	204	231	256	204	175	153	137	150	227	270	232	208	245	267	291
General Education	48	59	41	42	47	49	37	62	34	30	29	40	47	69	43	44	45	49
Job Training	31	16	13	14	29	39	31	18	11	14	19	37	25	10	20	13	26	31
Regional Development	50	46	62	61	53	40	33	46	43	27	26	35	59	37	43	53	60	65
Local Development	83	69	57	60	84	92	84	37	48	51	66	93	77	79	52	62	83	82
Business Development	27	26	32	27	18	30	19	13	17	14	10	22	61	36	50	72	53	65
ALL OTHER FEDERAL SPENDING	1,256	849	853	1,145	1,113	1,411	1,217	1,138	931	894	940	1,332	1,072	859	847	1,019	951	1,189
Cash & In-Kind Transfers	223	260	200	189	184	243	234	238	191	184	170	257	189	247	199	179	169	193
Retirement & U.I. a/	428	380	415	419	439	432	418	435	420	439	421	416	431	440	450	413	423	436
Other Federal Programs	605	209	238	537	490	736	565	465	320	271	349	659	452	172	198	427	359	560
TOTAL SPENDING	1,494	1,059	1,055	1,345	1,342	1,665	1,420	1,311	1,081	1,028	1,087	1,557	1,338	1,085	1,053	1,261	1,215	1,476

	SOUTH						SOUTHWEST						WEST					
DEVELOPMENT DOLLARS	268	182	192	197	282	367	243	295	249	201	349	198	275	370	514	368	272	261
General Education	54	46	40	41	58	69	63	96	51	53	88	48	59	48	54	60	52	61
Job Training	32	11	13	12	39	57	28	32	8	20	46	27	35	15	18	21	33	38
Regional Development	66	44	60	68	76	68	46	37	63	46	59	39	70	141	254	148	73	57
Local Development	84	55	50	54	100	119	72	100	85	51	111	52	88	144	166	116	90	83
Business Development	31	25	30	22	9	54	35	29	43	31	45	31	22	22	43	24	23	22
ALL OTHER FEDERAL SPENDING	1,342	819	824	1,206	1,319	1,880	1,196	895	863	1,475	1,413	1,139	1,350	718	912	1,157	1,150	1,447
Cash & In-Kind Transfers	223	258	204	193	192	257	196	297	198	201	217	152	226	151	201	176	198	241
Retirement & U.I. a/	454	377	406	397	473	525	407	359	425	451	432	385	426	361	406	421	443	422
Other Federal Programs	665	184	214	616	654	1,098	593	239	240	823	764	602	698	206	305	560	509	784
TOTAL SPENDING	1,606	997	1,013	1,400	1,598	2,244	1,435	1,173	1,110	1,669	1,758	1,336	1,623	1,085	1,423	1,523	1,418	1,705

Note: Numbers may not add to totals because of rounding.

a/ Unemployment insurance.

TABLE B-6. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY REGION AND INCOME QUINTILE (RELIABLY REPORTED DATA ONLY)

	UNITED STATES						NORTH						PLAINS					
		Low Income				High Income		Low Income				High Income		Low Income				High Income
	Average	1	2	3	4	5	Average	1	2	3	4	5	Average	1	2	3	4	5
DEVELOPMENT DOLLARS	226	210	201	199	217	239	192	152	150	133	145	214	259	228	205	240	252	278
General Education	42	57	41	41	38	42	31	41	34	30	27	33	41	69	43	44	36	39
Job Training	27	12	9	10	25	35	28	15	8	11	16	33	22	7	17	9	21	27
Regional Development	50	46	62	61	53	46	33	46	43	27	26	35	59	37	43	53	60	65
Local Development	83	69	57	60	83	91	83	37	48	51	66	93	76	79	52	62	82	82
Business Development	24	26	32	27	18	25	17	13	17	14	10	20	61	36	50	72	53	65
ALL OTHER FEDERAL SPENDING	812	627	628	827	784	855	677	918	617	590	609	704	690	565	615	742	671	702
Cash & In-Kind Transfers	145	196	135	128	117	154	142	152	112	107	99	157	115	153	115	104	97	123
Retirement & U.I. a/	393	349	384	389	405	394	391	418	401	416	399	387	405	416	424	388	397	409
Other Federal Programs	274	82	109	310	262	307	144	348	104	67	111	160	170	34	76	250	177	170
TOTAL SPENDING	1,038	837	829	1,026	1,001	1,094	869	1,070	767	723	754	918	949	831	820	982	923	980

	SOUTH						SOUTHWEST						WEST					
DEVELOPMENT DOLLARS	248	177	188	192	261	327	229	286	244	197	309	190	262	366	511	356	264	245
General Education	48	46	40	41	44	60	55	92	49	53	59	46	53	48	54	52	48	54
Job Training	27	7	8	7	34	52	23	28	4	16	40	22	32	11	14	16	30	34
Regional Development	66	44	60	68	76	68	46	37	63	46	59	39	70	141	254	148	73	57
Local Development	54	55	50	54	98	118	71	100	85	51	108	52	88	144	146	116	90	83
Business Development	23	25	30	22	9	29	34	29	43	31	43	31	19	22	43	24	23	17
ALL OTHER FEDERAL SPENDING	982	596	630	867	961	1,378	854	679	634	1,114	1,021	723	931	518	661	911	868	985
Cash & In-Kind Transfers	157	198	148	144	132	171	151	229	124	140	153	103	136	103	138	118	129	162
Retirement & U.I. a/	404	348	373	365	422	452	372	322	387	417	392	351	384	314	361	382	401	381
Other Federal Programs	421	50	109	358	407	755	331	128	123	557	476	269	411	101	162	411	338	442
TOTAL SPENDING	1,230	773	818	1,059	1,222	1,705	1,083	965	878	1,311	1,330	913	1,193	884	1,172	1,267	1,132	1,230

Note: Numbers may not add because of rounding.

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TABLE B-7. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY METROPOLITAN STATUS AND INCOME QUINTILE

	UNITED STATES						METROPOLITAN						NONMETROPOLITAN					
	Average	Low Income 1	2	3	4	High Income 5	Average	Low Income 1	2	3	4	High Income 5	Average	Low Income 1	2	3	4	High Income 5
DEVELOPMENT DOLLARS	240	216	205	204	231	256	242	188	167	159	232	254	234	221	214	231	230	288
General Education	48	59	41	42	47	49	49	44	36	44	50	50	44	62	42	41	42	39
Job Training	31	16	13	14	29	39	37	30	12	20	33	40	16	14	13	11	23	21
Regional Development	50	46	62	61	53	46	44	35	46	31	51	43	67	48	66	79	56	89
Local Development	83	69	57	60	84	92	88	62	57	50	90	92	69	71	57	66	73	81
Business Development	27	26	32	27	18	30	23	17	16	15	9	28	37	28	36	34	36	58
ALL OTHER FEDERAL SPENDING	1,256	849	853	1,145	1,113	1,411	1,361	688	707	1,264	1,177	1,441	982	877	888	1,072	999	1,010
Cash & In-Kind Transfers	223	260	200	189	184	243	232	210	161	179	187	249	200	269	210	195	178	163
Retirement & U.I. a/	428	380	415	419	439	432	427	299	373	398	440	432	429	394	425	432	438	432
Other Federal Programs	605	209	238	537	490	736	702	179	173	687	550	760	353	214	253	445	383	415
TOTAL SPENDING	1,494	1,059	1,055	1,346	1,342	1,665	1,603	856	871	1,420	1,407	1,693	1,211	1,094	1,100	1,300	1,226	1,295

Note: Numbers may not add because of rounding.

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TABLE B-8. FEDERAL SPENDING BY TYPE OF PROGRAM IN COUNTIES GROUPED BY METROPOLITAN STATUS AND INCOME QUINTILE (RELIABLY REPORTED DATA ONLY)

	UNITED STATES						METROPOLITAN						NONMETROPOLITAN					
	Average	Low Income 1	2	3	4	High Income 5	Average	Low Income 1	2	3	4	High Income 5	Average	Low Income 1	2	3	4	High Income 5
DEVELOPMENT DOLLARS	226	210	201	199	217	239	226	184	161	153	217	235	227	215	210	227	218	282
General Education	42	57	41	41	38	42	42	44	34	42	40	42	42	59	42	41	35	36
Job Training	27	12	9	10	25	35	33	26	8	16	29	36	12	9	9	7	19	18
Regional Development	50	46	62	61	53	46	44	35	46	31	51	43	67	48	66	79	56	89
Local Development	83	69	57	60	83	91	88	62	57	50	89	92	69	71	57	66	72	81
Business Development	24	26	32	27	18	25	19	17	16	14	8	22	37	28	26	34	36	58
ALL OTHER FEDERAL SPENDING	812	627	628	827	784	855	858	528	541	976	827	866	694	644	650	736	706	709
Cash & In-Kind Transfers	145	196	135	128	117	154	151	164	112	130	125	159	129	201	141	127	103	88
Retirement & U.I. a/	393	349	384	389	405	394	392	268	343	368	404	393	396	363	395	402	406	404
Other Federal Programs	274	82	109	310	262	307	315	96	86	478	298	314	169	80	114	207	197	217
TOTAL SPENDING	1,038	837	829	1,026	1,001	1,094	1,084	712	702	1,129	1,044	1,101	921	859	860	963	924	991

Note: Numbers may not add because of rounding.

a/ Unemployment insurance